

Company Code: 2707



Formosa International Hotels  
Corporation

# 2023 Annual Report

Company website : <https://www.silkshotelgroup.com/tw/>

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One. Letter to Shareholders	
Business results for the previous year, a summary of business plans for the current year, future development strategies of the Company, and impacts of the external competitive environment, regulatory environment, and overall business environment .....	1
Two. Company Profile	
I. Date of incorporation .....	4
II. General information: .....	4
Three. Corporate Governance Report	
I. Organization .....	11
II. Information of Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents, and Heads of Departments and Branches .....	13
III. Remuneration paid to directors, supervisors, president, and vice presidents in the latest year: .....	25
IV. Status of Corporate Governance .....	30
V. Information on professional fee of CPAs.....	71
VI. Information on change of CPAs .....	71
VII. The Company's Chairman, President, or any managerial officer in charge of finance or accounting affairs has worked in the accounting firm or any of its affiliated enterprises in the most recent year .....	71
VIII. Changes in the transfer or pledge of shares by directors, managerial officers, and shareholders holding over 10% of the outstanding shares in the preceding year and by the date of report publication .....	72
IX. Information of top ten shareholders with mutual relationship of related parties, spouse, or relatives in the 2nd degree: .....	73
X. The number of shares held by the Company, the Company's directors, supervisors, managerial officers, and enterprises directly or indirectly controlled by the Company in the same reinvestment business, and calculating the comprehensive shareholding ratio: .....	74
Four. Capital Raising	
I. Capital and shares:.....	75
II. Status of corporate bonds.....	82
III. Processing of preferred shares.....	82
IV. Overseas depository receipts .....	82
V. Employee stock options and employee restricted shares .....	82
VI. Mergers and acquisitions or transfer of shares of other companies to the issuance of new shares .....	82
VII. Execution of capital utilization plan .....	82
Five. Operational Overview	
I. Business scope: .....	83
II. Status of the market and production/sales.....	91

Table of Contents	Page
III. Employees.....	98
IV. Environmental expenditures .....	99
V. Employee Relations.....	99
VI. Cyber security management.....	107
VII. Important contract.....	112
Six. Financial Overview	
I. Condensed balance sheet, comprehensive income statement and independent auditor's opinions for the most recent five years .....	116
II. Financial analysis for the past five years .....	120
III. Audit Committee's report on the review for the most recent year financial statements .....	123
IV. Financial report for the most recent year .....	124
V. Parent Company-only Financial Statement for the Most Recent Fiscal Year, Audited and Attested by CPAs .....	200
VI. In the most recent year, up till the publication date of this annual report, if the Company or any of its affiliated enterprises experienced financial distress, the impacts to the Company's financial position would be .....	270
Seven. Review and Analysis of Financial Position and Financial Performance, and Risks	
I. Financial Status .....	270
II. Analysis of Financial Performance .....	271
III. Cash flow .....	271
IV. Effects of major capital expenditures on finance and operation in the most recent fiscal year .....	272
V. Reinvestment policy in the most recent year, the main reasons for its profit or loss, improvement plans, and investment plans for the next year .....	272
VI. Analysis and evaluation of risk matters in the most recent year and up to the publication date of this annual report.....	273
VII. Other important matters.....	277
Eight. Special Notes	
I. Information on Affiliated Enterprises .....	278
II. Private Placement Securities in the Most Recent Years and up to the date of publication of the annual report .....	285
III. The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years and up to the date of publication of the annual report..	285
IV. Other necessary supplementary notes .....	285
Nine. Any occurrences of events defined under Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the last year up till the publication date of this annual report that significantly impacted shareholders' equity or security prices	
	285

# One. Letter to Shareholders

Dear Shareholders,

In 2023, the Company achieved a historic milestone, with its consolidated same-store operating revenue and net profit after tax reaching the highest levels ever recorded. This year marks a period of complete economic recovery for the hospitality industry, with borders reopening and travel rebound. Room revenue at Regent Taipei has nearly returned to pre-pandemic levels. Further, the restaurant and banquet business has seen tremendous growth due to increased demand for dining, meetings, events, and year-end parties. The revenue performance of Regent Galleria remains outstanding. Despite the fact that resumption of international travel by Taiwanese has impacted the domestic market, the Company continues to experience year-on-year growth at Silks Place Taroko, Silks Place Tainan, Wellspring by Silks, and Just Sleep properties.

I. The 2023 Business Outcome Report of the Company is as follows:

(I) Business Report:

1. Rooms Department: The Company's consolidated number of guests received by the rooms departments in 2023 was 882,226 persons, an increase of 100,026 persons or 12.79%, compared to the same period in 2022 at 782,200 persons. Out of all the hotel guests, domestic guests stand at 64.66%, guests from Japan at 7.3%, Hong Kong and Macau region at 4.14%, mainland China region at 0.68%, Southeast Asia at 2.95%, Korea at 5.35%, USA and Canada at 4.94%, European region at 2.33% and other regions at 2.72%. The guest room occupancy rates are as follows: The Regent Taipei at 77.91%, Silks Place Taroko at 71.50%, Silks Place Tainan at 78.30%, Wellspring by Silks at 74.98%, Just Sleep Taipei Linsen at 73.53%, Just Sleep Taipei Ximending at 87.30%, Just Sleep Yilan Jiaoxi at 84.19%. The total revenue of the guestroom departments was NT\$2,575,227 thousand, an increase of NT\$680,003 thousand at 35.88% from NT\$1,895,224 thousand in the same period of 2022. This is mainly due to the opening up of borders as the pandemic has slowed down.
2. Food and beverage: the Company's consolidated total revenue for the entire year 2023 of the food and beverage departments was NT\$3,299,614 thousand, an increase of NT\$428,399 thousand at (14.92%) compared to NT\$2,871,215 thousand of the same period in 2022. The total number of food and beverage consumers between January to December 2023 was 2,133,572 persons, an increase of 269,667 persons (14.47%) compared to 1,863,905 persons of the same period in 2022. Mainly due to the recovery of post-pandemic dining and revenue consumption.

(II) Financial Report:

1. Net of Assets and liabilities:

As of December 31, 2023, the Company's consolidated total assets was NT\$10,631,193 thousand, of which, the total liabilities was NT\$5,683,265 thousand, accounting for 53.46% of the total assets; total net worth was NT\$4,947,928 thousand, accounting for 46.54% of the total assets. The percentage of liabilities to total assets was higher. This is mainly due to the implementation of IFRS16 in 2019 resulting in the lease liabilities in the current period for NT\$2,554,554 thousand.

2. Profit and loss

From January to December 2023, the Company's consolidated operating and non-operating income totaled NT\$6,885,332 thousand, operating and non-operating expenses totaled NT\$4,976,647 thousand, net profit before tax of NT\$1,908,685 thousand, and net profit after tax of NT\$1,526,673 thousand, an increase of NT\$510,970 thousand or 50.31% from NT\$1,015,703 thousand in 2022, and the net profit margin was 22.57%. The increase in net income was mainly due to the post-pandemic recovery. Revenues from dining, housing and boutiques all increased.

(III) Budget implementation status:

There is no 2023 budget implementation information of the Company. This is because it is not required of the Company to publicize its 2023 financial forecast information in accordance with the "Regulations Governing the Publication of Financial Forecasts of Public Companies".

II. 2024 Business plan overview and future company development strategies:

In 2024, the Company will continue to operate in the domestic and overseas markets in accordance with the established marketing strategy to give full play to the brand spirit. At the end of 2023, the well-known and popular restaurants of Spice Market and Just Grill under Regent's Group ceased operations due to the expiration of their contracts. The Company immediately worked hard to find a suitable location. Spice Market was opened in March this year at the high-end gourmet market in Dazhi. Comprehensive upgrade of food and beverage content and addition of tableside services. The retail business, which has been cultivated for many years, will also make a breakthrough in 2024. The most famous Champion Beef Noodles gift box is expected to enter the Japanese market, and the Company is also entering the European market in the United Kingdom, France, the Netherlands, Spain, Germany, and Italy. Supermarkets bring Regent's products to the world, creating a new growth engine for the Group. In terms of brand development, the first overseas location was established in Osaka, Japan under the self-owned brand Just Sleep for 2023. It is expected that the hotel's opening in Beitou will be in the third quarter of 2024. After the opening, it will be the

third hot spring hotel under the Regent's brand. In addition, Wellspring by Silks Toucheng, Silks X Linkou, Just Sleep Linkou and Just Sleep Kenting will be added to the operating territory one after another.

III. Impact of the external competition, legal and overall business environments:

In addition to maintaining the growth momentum in 2023, continuing to integrate the Group's domestic and overseas resources, and actively consolidating the market share, the Company has defined 2023 as the first year of Regents solar energy sustainability, and joined the EarthCheck certification program in November 2023, becoming the first member in Taiwan of EarthCheck, an organization that promotes sustainable tourism, and demonstrated its active performance in several key assessment aspects, such as greenhouse gas emissions, energy efficiency conservation and management, ecosystem protection, and social and cultural management, hoping to set a benchmark for the industry and continue to practice symbiosis, co-prosperity, and sustainability with the environment.

At the same time, the "2024 Sustainable Table" project was launched, using the cafeteria with the highest revenue in the museum, the "Brasserie" as a demonstration indicator, and three active measures were launched in 2023, including the introduction of the "AI food waste system", Modern technology helps reduce food waste; a "herb garden" has been built in the back garden of the restaurant to hold urban farmer activities and grow spices to create a friendly ecological environment; at the same time, the Company is also working with international celebrity chefs to launch "Leftover Food Program" to turn NG ingredients into delicious meals and actively implement the Sustainable Development Goals (SDGs) of the United Nations.

In the future, there is still room for growth in the inbound Taiwan market for international guests. Taipei International Hotel is expected to directly benefit, which is expected to contribute to the increase of average housing price and occupancy rate. Internally, we will also continue to optimize the education and training of colleagues and promote the cultivation of sustainable talents. While creating the greatest returns to shareholders, we will also bring the best of Taiwan to the world and the best of the world into Taiwan. Once again, thank you for your long-term support and advice.

Chairman: Steven Pan    Managerial officer: Wei-Cheng Wu    Accounting Officer: Chien-Nan Tsao

## Two. Company Profile

I. Date of incorporation: July 7, 1976

II. General information:

1. The company was founded on July 7, 1976 by former U.S. Secretary of the Treasury, Mr. Robert Andersen, and wealthy individuals such as Hsiao-Rui Pan, Ya-Hsien Huang, and Bing-Tu Chang with aid from overseas Chinese. The original authorized capital was NT\$227,700,000, and NT\$78,000,000 was received in advance, and the contract of surface right was signed with the Taipei City Government to actively prepare for the construction of the International Tourist Hotel.
2. In July 1978, the rated and paid-in capital was increased to NT\$227,700,000 in order to compensate for the demolition and relocation of legal houses on the square before the hotel was built.
3. Capital increase in cash of NT\$93,470,000 in May 1979. The authorized capital was NT\$371,500,000 and the paid-in capital was increased to NT\$321,170,000.
4. In April 1984, in order to start the hotel construction, a capital increase in cash of NT\$168,830,000 was arranged, and the rated and paid-in capital amounted to NT\$490,000,000.
5. Tong Cloud Co., Ltd. participated in the investment in the Company in July 1984, and made a cash capitalization of NT\$10,000,000 in October 1984, and the accumulated rated and paid-in capital amounted to NT\$500,000,000.
6. In December 1986, in order to meet the capital demand for the construction of the hotel, the registered capital was increased to NT\$650,000,000, and a capital increase of NT\$86,000,000 was completed, and the paid-in capital was NT\$586,000,000.
7. In June 1988, a capital increase of NT\$614,000,000 in cash was made to meet the funding requirement for the hotel construction project, and the cumulative rated and paid-in capital amounted to NT\$1,200,000,000.
8. Capital increase in cash of NT\$800,000,000 in August 1990, and the rated and paid-in capital amounted to NT\$2,000,000,000.
9. Regent Taipei was officially opened on September 25, 1990.
10. In 1991, UK-based "Executive Travel Magazine" selected Regent



- Taipei as the world's "Best Hotel 1991" based on its reader survey.
11. In 1993, "Business & Pleasure - The Best of Asia" selected Regent Taipei as the most representative "Business Hotel of Taipei" in its publication.
  12. In 1992 and 1993, the US-based "Prestige" magazine listed the Regent Taipei as the most luxurious hotel in the Asia Pacific region.
  13. The Platinum Card members of American Express in Taiwan selected Regent Taipei for the selection of "1993 Fine Hotels & Resorts".
  14. Changed name to "Formosa International Hotels Corporation" in July 1994.
  15. Readers of Asia Pacific Business Traveller chose the most ideal hotels in terms of service, facilities, decoration, location, food, and value. After the evaluation, Regent Taipei was ranked among the top hotels and won the title of "Best Hotel in Taipei 1994", "Best Hotel in Taipei 1995" and "Best Hotel in Taipei 1996" in a row.
  16. Upon resolution of the shareholders' meeting on May 9, 1995, the Company issued 50,000,000 new shares through capitalization of undistributed earnings of NT\$500,000,000 under the approval by the MOF official letter (84) Tai-Cai-Cheng (I) No. 35982 issued on June 17, 1995, and the change of registration was completed on September 1, 1995.
  17. Upon resolution of the shareholders' meeting on March 27, 1996, the Company issued 50,000,000 new shares through capitalization of undistributed earnings of NT\$500,000,000 under the approval by the MOF official letter (85) Tai-Cai-Cheng (I) No. 53778 issued on September 3, 1996, and the change of registration was completed on October 17, 1996.
  18. Upon resolution of the shareholders' meeting on April 21, 1997, the Company issued 75,000,000 new shares through capitalization of undistributed earnings of NT\$750,000,000 under the approval by the SFC of MOF official letter (85) Tai-Cai-Cheng (I) No. 69705 issued on August 9, 1997, and the change of registration was completed on October 15, 1997.
  19. For the Company's application for listing of the 375,000,000 shares of its common stocks that were issued to the public, which was approved by TWSE to be listed as a stock in accordance with the "Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings", which was reported to SFC of MOF via the official letter Tai-Zheng (86) Shang-Zi No. 36599 on November 15,

1997 and was approved by (86) Tai-Cai-Zheng (1) No. 86119 issued on November 27, 1997. The Company's shares have been listed for trading at TWSE since March 9, 1998.

20. Upon resolution of the shareholders' meeting on May 20, 1998, the Company issued 56,250,000 new shares through capitalization of undistributed earnings of NT\$562,500,000 under the approval by the SFC of MOF official letter (87) Tai-Cai-Cheng (I) No. 51378 issued on June 12, 1998, and the change of registration was completed on July 27, 1998.
21. The readers of "Asia Pacific Business Traveller" voted Regent Taipei as one of the "1998 Best Hotel in Asia Pacific" and "1998 Best Hotel in Taipei" which was rare for winning both titles.
22. Regent Taipei was once again awarded the "Best Hotel in Taipei" by the aforementioned magazines in 1999, and was ranked in 36. Among the hundreds of well-known enterprises in hundred product categories, the "First Award in the Hotel Category in Taiwan" was presented to Regent Taipei.
23. In Conde Nast Traveler's "Readers' Choice 2000" award, Regent Taipei was ranked as one of the best hotels in Asia and the only hotel in Taipei on the list.
24. In 2001 the hotel was voted among the "Best Business Hotel in Asia" by the readers of Business Asia magazine.
25. The hotel was voted the "Best Business Hotel in Taipei" by the readers of Global Finance Magazine in 2002.
26. Upon resolution of the shareholders' meeting on June 11, 2002, the Company reduced cash capital by 50% by reducing 215,625,000 under the approval by the SFC of MOF official letter (91) Tai-Cai-Cheng (I) No. 0910134002 issued on August 20, 2002, and the change of registration was completed on September 9, 2002.
27. In 2003, the hotel was voted the best luxury hotel in the 5th Travel Diamond Awards by the readers of Travelcom.
28. In 2004 and 2006 to 2008, the hotel was awarded the Gold Award for Best Hotel in Taiwan by Reader's Digest's Asian Amazing Brands Survey.
29. In 2004 to 2011, the Company was awarded the Best Service Award by Next Media Magazine in the hotel category for eight consecutive years.
30. In 2004, the Company was awarded the "Excellence" in safety protection by Tourist Hotel in Taipei City.

31. In 2004, the Company was voted among the top 50 hotels in Asia by Conde Nast Traveler readers, and ranked the first in Taiwan.
32. In 2002, 2003 and 2005, the hotel was voted by the readers of Conde Nast Traveler as one of the World's 700 Best Hotels Gold List, and ranked first among the hotels included in the list in Taiwan.
33. The hotel was awarded the title of "Taiwan's Leading Hotel" in 2005 by the World Travel Awards.
34. In 2006, the Company won the first prize in the 5-star hotel category of the 4th Global Views Excellent Service Award held by Global Views Monthly.
35. In 2006, 2010, 2012 and 2014, the hotel was selected as the first place in the corporate hotel category by Common Wealth.
36. In 2006 and 2007, the hotel was voted the best business hotel in Taiwan by the readers of Asia Business Magazine in the Best Business Hotel in Asia contest.
37. Upon resolution of the extraordinary shareholders' meeting on October 5, 2006, the Company reduced cash capital by 72.1739% by reducing 155,625,000 under the approval by the FSC official letter Jin-Guan-Cheng-Yi Zi No. 0950148220 issued on November 21, 2006, and the change of registration was completed on December 14, 2006.
38. At the shareholders' meeting held on May 27, 2008, it was resolved that 6,000,000 common stocks would be allocated for capitalization of capital surplus, and the change registration was completed on August 28, 2008.
39. In September 2008, the hotel was voted the Best City Hotel in Taipei by the readers of TTG Asia, TTG China, TTG MICE and TTG-BT MICE China, an authoritative travel magazine group.
40. Since September 2008, the hotel was voted by SmartTrevElAsia.Com readers as Top 25-Business Hotels in Asia and Top 25-Conference Hotels in Asia for 8 consecutive years.
41. Since 2008, the Company was awarded the top prize in the hotel category of the first "Best Brand" survey of business people by Business Today Magazine for 7 consecutive years.
42. After the Company's annual shareholders' meeting held on June 10, 2009, it was resolved to allocate 6,600,000 common shares for capitalization of capital surplus, and the change registration was completed on August 10, 2009.
43. In 2009, Regent's hotel group, "Just Sleep", was officially opened to

- welcome the guests. Ximending Branch opened its doors in November, while Lin Sen Branch opened its doors in December.
44. In January 2010, the hotel was voted among the top 25 hotels in Asia (Hong Kong, Macau, and Taiwan) by the travelers of "Trip Advisor" (TripAdvisor.com).
  45. On April 16, 2010, the Company's Board of Directors approved the acquisition of the trademark and license of the global REGENT from the US-based CARLSON Group. There are 17 hotels under management or under construction in Europe, Asia, the Americas, and the Middle East, with a total of 4,000 rooms in total. Regent also owns the brand license for Regent Seven Seas Cruises in the Caribbean rights.
  46. After the Company's annual shareholders' meeting held on June 25, 2010, it was resolved that 7,260,000 common shares would be allocated for capital increase by recapitalization of capital surplus, and the change registration had been completed on September 2, 2010.
  47. At the Company's annual shareholders' meeting held on June 24, 2011, it was resolved that 7,986,000 common shares would be allocated for capital increase by recapitalization of capital surplus, and the change registration had been completed on September 23, 2011.
  48. In July 2011, the hotel was selected as one of Taiwan's Top 100 Brands, and was the only hotel in Taiwan to be listed.
  49. The Company was ranked among the top 20 in the 2011 Taiwan Innovative Enterprise Survey organized by the Industrial Development Bureau, Ministry of Economic Affairs in November 2011.
  50. In 2011, the Company was voted among the top 125 hotels in Asia by Conde Nast Traveler readers, and ranked the first in Taiwan.
  51. In 2011, the hotel was awarded the "Best Business Hotel of 2011" by the "Travel & Leisure, China" (2011) Travel Awards, and is the only hotel in Taiwan to be listed.
  52. In 2012 and 2014 to 2016, the hotel was voted by the travelers of "Trip Advisor" (TripAdvisor.com) as one of the top 10 most luxurious hotels in Taiwan and ranked first.
  53. In January 2012, the hotel was voted among the Conde Nast Traveler Gold List by readers.
  54. According to the resolution of the Company's annual shareholders'

- meeting held on June 21, 2012, 8,784,600 common shares were allocated for capital increase by recapitalization of capital surplus, and the change registration was completed on September 26, 2012.
55. The hotel was awarded the honor of “Insiders’ Select” by Expedia in 2012.
  56. In 2012, the hotel won the World’s Travel Award and was ranked among the best hotels in Taiwan.
  57. At the shareholders’ meeting held on June 28, 2013, a resolution of 9,663,060 common shares were issued for capitalization of capital surplus and the change of registration was completed on September 12, 2013.
  58. In June 2013, Just Sleep Taipei NTU the third branch of “Just Sleep”, the Honorable Mention, was officially opened.
  59. In May 2014, the Company won the first prize in the hotel category of the “Influential Brand Award of the Year” by “Manager Today”.
  60. Received Service Award at HIS Kansai Hotel Awards 2014.
  61. In 2014, the hotel was awarded the 1st place among the star-rated hotels in northern China in the annual luxury brand survey conducted by Wealth Magazine.
  62. At the shareholders’ meeting held on June 17, 2014, a resolution of 10,629,366 common shares were allocated for capitalization of capital surplus, and the change registration was completed on August 26, 2014.
  63. In September 2014, Regent Tainan, a brand new location under the Regent brand under the Regent Hotel Group, was officially opened in southern Taiwan.
  64. The Company was awarded the “Top Customer Review” by Ctrip in December 2014.
  65. In March 2015, the hotel won the first prize in the Business Hotel category of the “Manager Today” Influential Brand of the Year Award.
  66. In June 2015, the “Just Sleep” brand was introduced to the outskirts of the city for the first time - Yilan Jiaoxi Branch.
  67. At the shareholders’ meeting held on June 17, 2015, a resolution of 9,822,743 common shares were issued for capitalization of capital surplus, and the change registration was completed on September 3, 2015.
  68. In November 2015, the hotel was voted among the Top 3 Gold Business Hotels in Taipei by Business Traveller Asia Pacific readers.
  69. In January 2016, the hotel was voted the Most Popular 5-Star Hotel

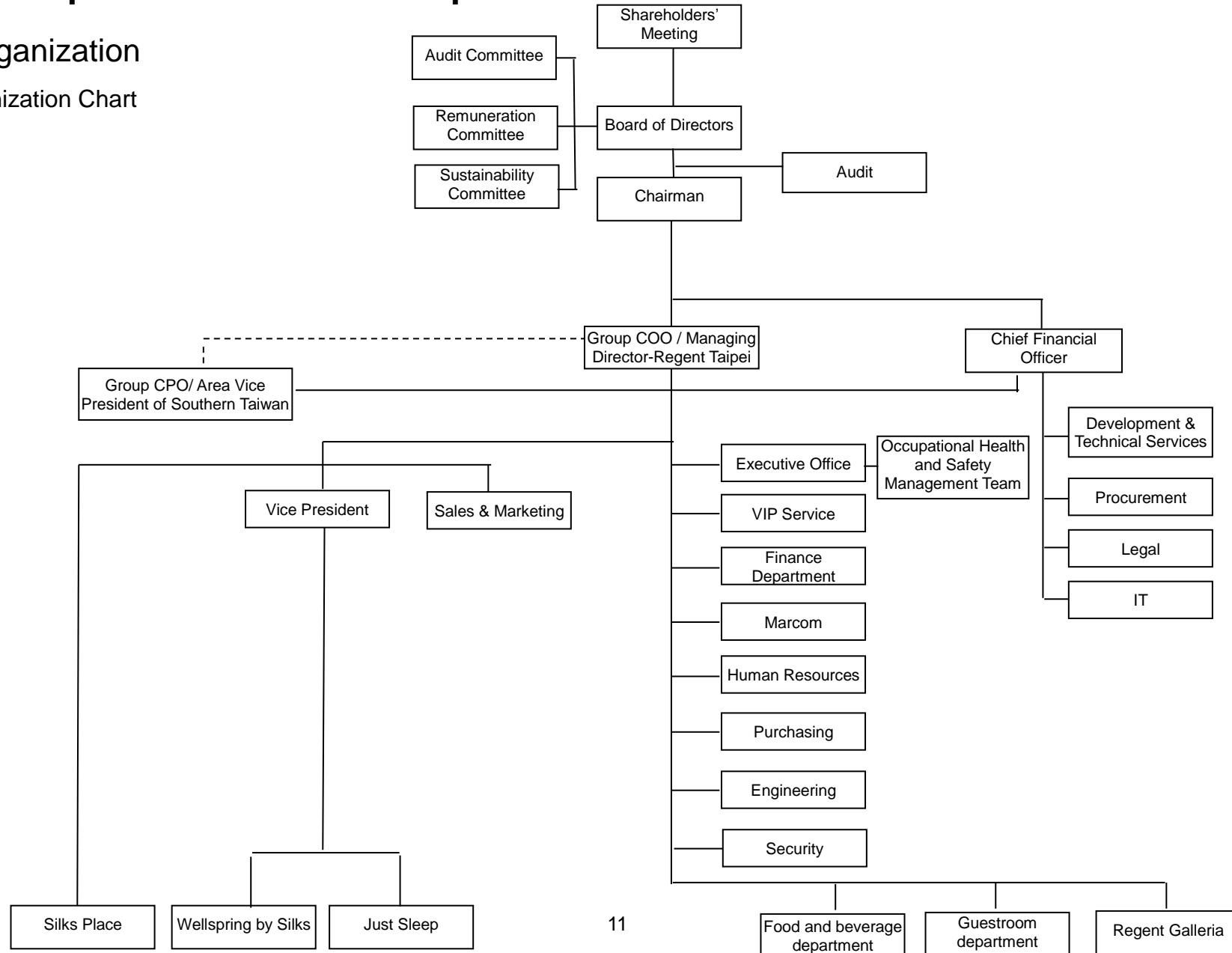
- in Taiwan by “Financial News Weekly” and won several championships in the category of hotels in northern Taiwan.
70. In 2016 to 2022, Mulan Spa won the “Taiwan’s Best Hotel SPA Award” at the “World SPA Award” for six consecutive years.
  71. Just Grill won the Gold Medal in the service industry in 2016 Taiwan Service Industry Review.
  72. Just Grill was awarded three stars at the 2017 Asia Pacific AA Gourmet Awards by the Food Additives Association.
  73. In order to expand the global territory of Regent hotels, the Company’s board of directors approved the transfer of some of Regent Global’s subsidiaries to IHG for joint development of Regent hotels on March 14, 2018. Global brand licensing business.
  74. Awarded with the Best Business Hotel in Taiwan by World Travel Awards 2018 and 2019.
  75. In 2019 and 2020, Mulan Spa was awarded four stars by the “Forbes Travel Guide”.
  76. From 2019 to 2023, Regent Taipei was awarded four stars by the “Forbes Travel Guide” for five consecutive years.
  77. In 2023, the Group’s Chairman, Steven Pan, was awarded the Outstanding Leadership Award by Global Views Magazine. During the pandemic, Chairman Steven Pan led the Company to grow in adversity and re-understood the purpose of the Company and the importance of sustainable operation.
  78. In 2023, Mulan Spa won the “Haute Grandeur Global Awards: Best Luxury Spa” in Taiwan.

Mergers and acquisitions, investments in affiliated enterprises, reorganizations, major transfer or replacement of shares held by directors, supervisors, or major shareholders with more than 10% ownership interest, change of management, Major changes in the method of operation or business activities and other events that are likely to affect shareholders’ equity: None.

# Three. Corporate Governance Report

## I. Organization

### (I) Organization Chart



(II) Business scope of major departments

Department	Businesses
Purchasing	<ul style="list-style-type: none"> <li>- Purchasing of food &amp; beverage and general supplies</li> <li>- Negotiating and establishing contracts with contractors and suppliers</li> </ul>
Finance Department	<ul style="list-style-type: none"> <li>- Receiving, storage, and cost control of goods</li> <li>- Analyzing and publishing of financial statements and reports</li> <li>- Processing and management of payroll</li> <li>- Auditing guest credit rating and collection of overdue receivables</li> <li>- Processing of accounts payable transactions</li> </ul>
Human Resources	<ul style="list-style-type: none"> <li>- Recruiting and training of new hires and human resources planning</li> <li>- Implementation of labor and health insurance and pension related activities</li> <li>- Facilitation of employee relations and resolving of any human resource issues</li> <li>- Management of staff cafeteria, lounge, changing rooms, and infirmary</li> </ul>
Engineering	<ul style="list-style-type: none"> <li>- Maintaining and repairing of malfunctions in mechanical or electrical systems and other equipment</li> <li>- Planning and execution of hotel expansion and remodeling projects</li> </ul>
Marketing & Communications	<ul style="list-style-type: none"> <li>- Developing and implementing of advertising campaigns</li> <li>- Handling of public relations issues</li> <li>- Overseeing of Art Creation department</li> <li>- Planning of sales and other promotional activities</li> <li>- Maintaining of hotel website and coordination of e-commerce and social media activities</li> </ul>
Food and beverage department	<ul style="list-style-type: none"> <li>- Managing of all F&amp;B operations</li> <li>- Executing of F&amp;B sales promotional activities</li> <li>- Designing of new exceptional menus</li> <li>- Executing of banquets, conferences, and other events</li> <li>- Welcoming and addressing of guest needs</li> <li>- Overseeing of Flower Shop department</li> </ul>
Rooms department	<ul style="list-style-type: none"> <li>- Managing of guest reception and checkout</li> <li>- Arranging of transportation and excursions upon visitor request</li> <li>- Overseeing the meeting room</li> <li>- Providing of refreshments services at Tai Pan Lounge Service</li> <li>- Overseeing of laundry operations</li> <li>- Managing of housekeeping services</li> <li>- Increasing and promoting of room sales</li> <li>- Overseeing of hotel security operations</li> <li>- Supervising of outsourced security services operations</li> <li>- Monitoring of hotel fire safety</li> </ul>
Security	<ul style="list-style-type: none"> <li>- Maintaining of the safety of guests, staff, and property</li> <li>- Training of staff in safety procedures</li> <li>- Arrange training for protective teams</li> </ul>



## II. Information of Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents, and Heads of Departments and Branches:

### (I) Information of directors-1

April 15, 2024

Title	Nationality or Place of Registration	Name	Gender Age	Elected/On-Board Date	Tenure	Date first elected	Shareholding when Elected		Current shareholdings		Current shareholdings of spouse/minor children		Shareholdings in the name of a third party		Education and experience	Concurrent positions in this and other companies	Other officers, directors or supervisors of the Company who is a spouse or relative within the 2nd degree of kinship under the Civil Code		
							Number of shares	Ownership (%)	Number of shares	Ownership (%)	Number of shares	Ownership (%)	Number of shares	Ownership (%)			Title	Name	Relationship
Chairman	Republic of China	Representative of Ching Cheng Investment Co., Ltd.: Steven Pan	Male Age 50-60	2021.08.20	3 years	2009.06.10			302,743	0.24%	-	-	-	-	UC Berkeley, Graduate Institute of Columbia University	Director of Nan Feng Hsing Enterprise Co., Ltd. and institutional director representative of Grand Formosa Taroko, Ching Cheng Investment, Formosa International Development Corp., and Silks Palace At National Palace Museum Corp.	Director Director	Yi-Hui Chiang Kong-Wen Li	Spouse Relatives by marriage
Director	United States	Representative of Ching Cheng Investment Co., Ltd.: Yi-Hui Chiang	Female Age 50-60	2021.08.20	3 years	2009.06.10			-	-	302,743	0.24%	-	-	UC Berkeley	-	Chairman Director	Steven Pan Kong-Wen Li	Spouse Relatives by marriage
Director	Republic of China	Representative of Ching Cheng Investment Co., Ltd.: Rung-Wei Wang	Female Age 70-80	2021.08.20	3 years	2009.06.10			-	-	-	-	-	-	Department of Library and Information Science, Graduate Institute of Business Administration, National Taiwan University	President of JRV Co., Ltd.	None	None	None
Director	Republic of China	Representative of Ching Cheng Investment Co., Ltd.: Ming-Yue Lin	Male Age 70-80	2021.08.20	3 years	2009.06.10			10,535	0.01%	-	-	-	-	Holiday Hospitality Management School; Hilton International Asia & Australia Training Center	The representative of the corporate director of Grand Formosa Taroko Hotel and Regent Premier Hotel Management (Shanghai) Co., Ltd.; the supervisor of FIHC Property Management Co., Ltd.	None	None	None

Title	Nationality or Place of Registration	Name	Gender Age	Elected/On-Board Date	Tenure	Date first elected	Shareholding when Elected		Current shareholdings		Current shareholdings of spouse/minor children		Shareholdings in the name of a third party		Education and experience	Concurrent positions in this and other companies	Other officers, directors or supervisors of the Company who is a spouse or relative within the 2nd degree of kinship under the Civil Code		
							Number of shares	Ownership (%)	Number of shares	Ownership (%)	Number of shares	Ownership (%)	Number of shares	Ownership (%)			Title	Name	Relationship
Director	Republic of China	Ching Cheng Investment Co., Ltd.	-	2021.08.20	3 years	2009.06.10	11,015,923	8.65%	11,015,923	8.65%	-	-	-	-	-	-	-	-	-
Director	Republic of China	Representative of Formosa International Development Corp.: Kong-Wen Li	Male Age 70-80	2021.08.20	3 years	2009.06.10	NA		30	-	487,388	0.38%	-	-	Department of Finance and Accounting, Ling Tung University Honorary Doctor of Engineering, National Pingtung University of Science and Technology	O-TA Precision Industry Co., LTD. Jiangxi O-TA Precision Technology Co., Ltd. (Ganzhou, Jiangxi), Chairman, Lingtung Composite Technology (Huizhou) Co., Ltd.; Chairman, Hanlon Information Technology Co., Ltd.; Director, Hong Kong Fung Tai International Co., Ltd.	Chairman Director	Steven Pan Yi-Hui Chiang	Relatives by marriage Relatives by marriage
Director	Republic of China	Representative of Formosa International Development Corp.: Chi-Shang Kao	Male Age 70-80	2021.08.20	3 years	2002.06.11									Master of Public Administration, University of San Francisco	Chairman of Yi Mei Food Co., Ltd.; Chairman, Taiwan Association for International Economic Cooperation; Chairman, Taiwan Committee of International Chamber of Commerce; Director, Taishin International Bank	None	None	None
Director	Republic of China	Formosa International Development Corp.	-	2021.08.20	3 years	2000.06.27	2,351,222	1.85%	2,351,222	1.85%	-	-	-	-	-	-	-	-	-
Independent Director	Republic of China	Se-Chen Lai	Female Age 70-80	2021.08.20	3 years	2015.06.17	-	-	-	-	-	-	-	-	Master of Management Science, National Chiao Tung University; Department of Business Administration, Fu Jen Catholic University	Independent Director, AN-SHIN FOOD SERVICES CO., LTD.	None	None	None
Independent Director	Republic of China	Kuo-Chun Chang	Male Age 60-70	2021.08.20	3 years	2015.06.17	-	-	-	-	-	-	-	-	MBA, Columbia University; Department of Sociology, National Taiwan University	Chairman of Guofeng Media	None	None	None

Title	Nationality or Place of Registration	Name	Gender Age	Elected/On-Board Date	Tenure	Date first elected	Shareholding when Elected		Current shareholdings		Current shareholdings of spouse/minor children		Shareholdings in the name of a third party		Education and experience	Concurrent positions in this and other companies	Other officers, directors or supervisors of the Company who is a spouse or relative within the 2nd degree of kinship under the Civil Code		
							Number of shares	Ownership (%)	Number of shares	Ownership (%)	Number of shares	Ownership (%)	Number of shares	Ownership (%)			Title	Name	Relationship
Independent Director	Republic of China	Wen-Jie Wang	Male Age 70-80	2021.08.20	3 years	2021.08.20	-	-	-	-	-	-	-	-	Department of Business Administration, National Taiwan University	Chairman, Lion Travel Service Co., Ltd. and Lions United International Travel Service Co., Ltd.	None	None	None

Note: If the Chairman of the Board and the General Manager (or someone with an equivalent position, i.e., the highest-ranking manager) are the same person, spouse, or relative of the first degree of kinship, the reason, legitimacy, necessity, and countermeasures shall be explained (e.g., adding the number of independent directors, and that more than half of the directors are not employees or managers concurrently): None.

Table 1: Major Institutional Shareholders

April 15, 2024

Name of institutional shareholder	Major corporate shareholders and their shareholding percentages	
Formosa International Development Corp.	Nan Feng Hsing Enterprise Co., Ltd.	100.00%
Ching Cheng Investment Co., Ltd.	Nan Feng Hsing Enterprise Co., Ltd.	100.00%

Table 2: Major Shareholders of Institutional Shareholders in Table 1

April 15, 2024

Name of institution	Major shareholders of the juristic person and their shareholding percentages	
Nan Feng Hsing Enterprise Co., Ltd.	World Commerce Enterprise Co., Ltd., British Virgin Islands	99.74%

## Information of directors-2

### 1. Information disclosure on the professional qualifications of directors and the independence of independent directors:

Criteria Name	Professional qualifications and experience	Independence	Number of concurrent independent director posts to other public companies
Chairman Steven Pan	<p>MBA from Columbia University in the United States, the current Chairman of Formosa International Hotels Corporation, with exceptional management skills and expertise in financial strategic planning, successfully managing a global brand based in Taiwan.</p> <p>Does not meet the conditions specified in Article 30 of the Company Act.</p>	<p>(1) Not an employee of the Company or any of its affiliated enterprises.</p> <p>(2) Not a natural person shareholder who holds 1% or more of the total number of issued shares of the company in the name of his/her spouse, underage children, or in the name of a third party.</p> <p>(3) Not a director, supervisor, or employee of another company whose majority of seats or voting shares are controlled by the same person.</p> <p>(4) Not a director, supervisor, or employee of any other company or institution where the Chairman, President, or someone with an equivalent position is the same person or spouse.</p> <p>(5) Not a director, supervisor, managerial officer, or shareholder holding more than 5% of shares of any company or institution that has financial or business relationship with the Company.</p> <p>(6) Not a professional, sole proprietor, partnership, company, or institution owner that provides audits or commercial, legal, financial, or accounting-related services for the company or any of its affiliated enterprises for less than NT\$500,000 in remuneration in the past two years; Partners, directors, supervisors, managerial officers and their spouses.</p>	0
Director Yi-Hui Chiang	<p>Graduated from the University of Berkeley, USA, he has served as a professional director for a long time, supervising and providing operation management suggestions, and active in the entrepreneur organization, the World Taiwanese Chambers of Commerce and the alumni activities of the Ivy League.</p> <p>Does not meet the conditions specified in Article 30 of the Company Act.</p>	<p>(1) Not an employee of the Company or any of its affiliated enterprises.</p> <p>(2) Not a director or supervisor of the Company or any of its affiliated enterprises.</p> <p>(3) Not a natural person shareholder who holds 1% or more of the total number of issued shares of the company in the name of his/her spouse, underage children, or in the name of a third party.</p> <p>(4) Directors who are not corporate shareholders of the Company who directly hold 5% or more of the total number of issued shares of the Company, or who are among the top five shareholding companies, or who have appointed a representative to serve as the Company's directors,</p>	0

Criteria Name	Professional qualifications and experience	Independence	Number of concurrent independent director posts to other public companies
		<p>supervisors or employees in accordance with Paragraph 1 or Paragraph 2, Article 27 of the Company Act.</p> <p>(5) Not a director, supervisor, or employee of another company whose majority of seats or voting shares are controlled by the same person.</p> <p>(6) Not a director, supervisor, or employee of any other company or institution where the Chairman, President, or someone with an equivalent position is the same person or spouse.</p> <p>(7) Not a director, supervisor, managerial officer, or shareholder holding more than 5% of shares of any company or institution that has financial or business relationship with the Company.</p> <p>(8) Not a professional, sole proprietor, partnership, company, or institution owner that provides audits or commercial, legal, financial, or accounting-related services for the company or any of its affiliated enterprises for less than NT\$500,000 in remuneration in the past two years; Partners, directors, supervisors, managerial officers and their spouses.</p>	
<p>Director Rong-Wei Wang</p>	<p>Possess at least 5 years of working experience required for the Company's business operations. Currently the President of JRV Co., Ltd., creating images and stories for the leading brands of the company. Does not meet the conditions specified in Article 30 of the Company Act.</p>	<p>(1) Not an employee of the Company or any of its affiliated enterprises.</p> <p>(2) Not a director or supervisor of the Company or any of its affiliated enterprises.</p> <p>(3) Not a natural person shareholder who holds 1% or more of the total number of issued shares of the company in the name of his/her spouse, underage children, or in the name of a third party.</p> <p>(4) Not a managerial officer as specified in (1) nor a spouse, a blood relative at the second degree of kinship under the Civil Code, or a blood relative at the second degree of kinship under the Civil Code as specified in (2) and (3).</p> <p>(5) Directors who are not corporate shareholders of the Company who directly hold 5% or more of the total number of issued shares of the Company, or who are among the top five shareholding companies, or who have appointed a representative to serve as the Company's directors, supervisors or employees in accordance with Paragraph 1 or Paragraph 2, Article 27 of the</p>	<p>0</p>

Criteria Name	Professional qualifications and experience	Independence	Number of concurrent independent director posts to other public companies
		<p>Company Act.</p> <p>(6) Not a director, supervisor, or employee of another company whose majority of seats or voting shares are controlled by the same person.</p> <p>(7) Not a director, supervisor, or employee of any other company or institution where the Chairman, President, or someone with an equivalent position is the same person or spouse.</p> <p>(8) Not a director, supervisor, managerial officer, or shareholder holding more than 5% of shares of any company or institution that has financial or business relationship with the Company.</p> <p>(9) Not a professional, sole proprietor, partnership, company, or institution owner that provides audits or commercial, legal, financial, or accounting-related services for the company or any of its affiliated enterprises for less than NT\$500,000 in remuneration in the past two years; Partners, directors, supervisors, managerial officers and their spouses.</p> <p>(10) Not a spouse or relative within the second degree of kinship to any other director.</p>	
<p>Director Ming-Yueh Lin</p>	<p>Possess at least 5 years of working experience required for the Company's business operations. Once served as the accounting officer, financial officer and group CFO of the Company. Does not meet the conditions specified in Article 30 of the Company Act.</p>	<p>(1) Not a natural person shareholder who holds 1% or more of the total number of issued shares of the company in the name of his/her spouse, underage children, or in the name of a third party.</p> <p>(2) Directors who are not corporate shareholders of the Company who directly hold 5% or more of the total number of issued shares of the Company, or who are among the top five shareholding companies, or who have appointed a representative to serve as the Company's directors, supervisors or employees in accordance with Paragraph 1 or Paragraph 2, Article 27 of the Company Act.</p> <p>(3) Not a director, supervisor, or employee of another company whose majority of seats or voting shares are controlled by the same person.</p> <p>(4) Not a director, supervisor, or employee of any other company or institution where the Chairman, President, or someone with an equivalent position is the same person or spouse.</p> <p>(5) Not a director, supervisor, managerial</p>	<p>0</p>

Criteria Name	Professional qualifications and experience	Independence	Number of concurrent independent director posts to other public companies
		<p>officer, or shareholder holding more than 5% of shares of any company or institution that has financial or business relationship with the Company.</p> <p>(6) Not a professional, sole proprietor, partnership, company, or institution owner that provides audits or commercial, legal, financial, or accounting-related services for the company or any of its affiliated enterprises for less than NT\$500,000 in remuneration in the past two years; Partners, directors, supervisors, managerial officers and their spouses.</p> <p>(7) Not a spouse or relative within the second degree of kinship to any other director.</p>	
<p>Director Kong-Wen Li</p>	<p>Honorary Doctoral Degree from Pingtung University of Science and Technology with profound financial and accounting experience. Currently, he is the Chairman of O-TA Precision Industry Co., LTD. Does not meet the conditions specified in Article 30 of the Company Act.</p>	<p>(1) Not an employee of the Company or any of its affiliated enterprises.</p> <p>(2) Not a natural person shareholder who holds 1% or more of the total number of issued shares of the company in the name of his/her spouse, underage children, or in the name of a third party.</p> <p>(3) Directors who are not corporate shareholders of the Company who directly hold 5% or more of the total number of issued shares of the Company, or who are among the top five shareholding companies, or who have appointed a representative to serve as the Company's directors, supervisors or employees in accordance with Paragraph 1 or Paragraph 2, Article 27 of the Company Act.</p> <p>(4) Not a director, supervisor, or employee of another company whose majority of seats or voting shares are controlled by the same person.</p> <p>(5) Not a director, supervisor, or employee of any other company or institution where the Chairman, President, or someone with an equivalent position is the same person or spouse.</p> <p>(6) Not a director, supervisor, managerial officer, or shareholder holding more than 5% of shares of any company or institution that has financial or business relationship with the Company.</p> <p>(7) Not a professional, sole proprietor, partnership, company, or institution owner that provides audits or commercial, legal, financial, or accounting-related services for the</p>	<p>0</p>

Criteria Name	Professional qualifications and experience	Independence	Number of concurrent independent director posts to other public companies
		company or any of its affiliated enterprises for less than NT\$500,000 in remuneration in the past two years; Partners, directors, supervisors, managerial officers and their spouses.	
Director Chi-Shang Kao	Possess at least 5 years of working experience required for the Company's business operations. Currently, he is the Chairman of Yi Mei Food Co., Ltd. Does not meet the conditions specified in Article 30 of the Company Act.	<ul style="list-style-type: none"> <li>(1) Not an employee of the Company or any of its affiliated enterprises.</li> <li>(2) Not a director or supervisor of the Company or any of its affiliated enterprises.</li> <li>(3) Not a natural person shareholder who holds 1% or more of the total number of issued shares of the company in the name of his/her spouse, underage children, or in the name of a third party.</li> <li>(4) Not a managerial officer as specified in (1) nor a spouse, a blood relative at the second degree of kinship under the Civil Code, or a blood relative at the second degree of kinship under the Civil Code as specified in (2) and (3).</li> <li>(5) Directors who are not corporate shareholders of the Company who directly hold 5% or more of the total number of issued shares of the Company, or who are among the top five shareholding companies, or who have appointed a representative to serve as the Company's directors, supervisors or employees in accordance with Paragraph 1 or Paragraph 2, Article 27 of the Company Act.</li> <li>(6) Not a director, supervisor, or employee of another company whose majority of seats or voting shares are controlled by the same person.</li> <li>(7) Not a director, supervisor, or employee of any other company or institution where the Chairman, President, or someone with an equivalent position is the same person or spouse.</li> <li>(8) Not a director, supervisor, managerial officer, or shareholder holding more than 5% of shares of any company or institution that has financial or business relationship with the Company.</li> <li>(9) Not a professional, sole proprietor, partnership, company, or institution owner that provides audits or commercial, legal, financial, or accounting-related services for the company or any of its affiliated enterprises for less than NT\$500,000 in remuneration in the past two years;</li> </ul>	0



Criteria Name	Professional qualifications and experience	Independence	Number of concurrent independent director posts to other public companies
		Partners, directors, supervisors, managerial officers and their spouses. (10) Not a spouse or relative within the second degree of kinship to any other director.	
Independent Director Se-Chen Lai	Possess at least 5 years of working experience required for the Company's business operations. Currently the Chairman of the Taiwan Tourism Interchange Association and has extensive experience in F&B, tourism, personnel issues, and talent cultivation. Does not meet the conditions specified in Article 30 of the Company Act.	(1) Not an employee of the Company or any of its affiliated enterprises. (2) Not a director or supervisor of the Company or any of its affiliated enterprises. (3) Not a natural person shareholder who holds 1% or more of the total number of issued shares of the company in the name of his/her spouse, underage children, or in the name of a third party.	1
Independent Director Kuo-Chun Chang	Possess at least 5 years of working experience required for the Company's business operations. Graduated from MBA/Business School of Columbia University, USA, and currently serves as the Chairman of The Storm Media, with deep expertise in finance, banking, accounting and corporate governance, and serves as the convener of the Company's Audit Committee and Remuneration Committee. Does not meet the conditions specified in Article 30 of the Company Act.	(4) Not a managerial officer as specified in (1) nor a spouse, a blood relative at the second degree of kinship under the Civil Code, or a blood relative at the second degree of kinship under the Civil Code as specified in (2) and (3). (5) Directors who are not corporate shareholders of the Company who directly hold 5% or more of the total number of issued shares of the Company, or who are among the top five shareholding companies, or who have appointed a representative to serve as the Company's directors, supervisors or employees in accordance with Paragraph 1 or Paragraph 2, Article 27 of the Company Act.	0
Independent Director Wen-Jie Wang	Possess at least 5 years of working experience required for the Company's business operations. Currently the Chairman of Lion Travel Service Co., Ltd., and is committed to the vertical integration of the travel industry. Does not meet the conditions specified in Article 30 of the Company Act.	(6) Not a director, supervisor, or employee of another company whose majority of seats or voting shares are controlled by the same person. (7) Not a director, supervisor, or employee of any other company or institution where the Chairman, President, or someone with an equivalent position is the same person or spouse. (8) Not a director, supervisor, managerial officer, or shareholder holding more than 5% of shares of any company or institution that has financial or business relationship with the Company. (9) Not a professional, sole proprietor, partnership, company, or institution owner that provides audits or commercial, legal, financial, or accounting-related services for the company or any of its affiliated enterprises for less than NT\$500,000 in remuneration in the past two years;	0

Criteria Name	Professional qualifications and experience	Independence	Number of concurrent independent director posts to other public companies
		Partners, directors, supervisors, managerial officers and their spouses. (10) Not a spouse or relative within the second degree of kinship to any other director. (11) Not elected according to Article 27 of the Company Act is a government, institution, or its representative.	

## 2. Board diversity and independence

### (1) Diversity of Board of Directors

The Company clearly stipulates that the composition of the Board of Directors should be diversified in the “Corporate Governance Best-Practice Principles”, and formulates an appropriate diversity policy based on the Company’s own operations, business types, and development needs, including but not limited to the following two major standards:

- I. Basic requirements and values: Gender, age, nationality, and culture.
- II. Professional knowledge and skills: Professional background (such as law, accounting, industry, finance, marketing, or technology), professional skills, and industrial experience.

The Company’s 22nd Board of Directors was reelected in 2021 in accordance with the policy of diversity. The members have rich experience and professionalism in the fields of finance, commerce, and management. In addition, the proportion of independent directors is 33%. The Company also pays attention to gender equality in the composition of the Board of Directors. The target ratio of female directors is over 30%. Currently, there are 9 directors, including 3 female directors, with a ratio of 33%. The implementation of diversity among directors is as follows:

Diversified projects	Nationality	Gender	Length of term of independent director	Operational judgment	Accounting and F finance	Crisis management	Knowledge to industries	International market perspective	Leadership decision making
Director: Representative of Ching Cheng Investment Co., Ltd.: Steven Pan	Republic of China	Male		✓	✓	✓	✓	✓	✓
Director: Representative of Ching Cheng Investment Co., Ltd.: Yi-Hui Chiang	United States	Female		✓		✓		✓	✓
Director: Representative of Ching Cheng Investment Co., Ltd.: Wang Rong-Wei	Republic of China	Female		✓		✓	✓	✓	✓
Director: Representative of Ching Cheng Investment Co., Ltd.: Ming-Yueh Lin	Republic of China	Male		✓	✓	✓	✓	✓	✓
Director: Representative of Formosa International Development Corp.: Kong-Wen Li	Republic of China	Male		✓	✓	✓		✓	✓
Director: Representative of	Republic of China	Male		✓	✓	✓	✓	✓	✓

Diversified projects	Nationality	Gender	Length of term of independent director	Operational judgment	Accounting and F finance	Crisis management	Knowledge to industries	International market perspective	Leadership decision making
Name of director									
Formosa International Development Corp.: Chi-Shang Kao									
Independent Directors: Se-Chen Lai	Republic of China	Female	7-9 years	✓		✓	✓	✓	✓
Independent Directors: Kuo-Chun Chang	Republic of China	Male	7-9 years	✓	✓	✓		✓	✓
Independent Directors: Wen-Jie Wang	Republic of China	Male	1-3 years	✓	✓	✓	✓	✓	✓

(2) Independence of the Board of Directors

The Company's Board of Directors currently consists of 9 members, including 3 independent directors (33.33% of all directors). So far, all independent directors have complied with the requirements of the Financial Supervisory Commission on independent directors, and there is no requirement of Item 3 and Item 4 of Article 26-3 of the Securities and Exchange Act between each director and independent director. Please refer to page 13 to page 15 (Information on Directors-1) of the Company's members.

(II) Information on the President, Vice Presidents, Assistant Vice Presidents, and heads of various departments and branches:

April 15, 2024

Title	Nationality	Name	Gender	Elected/On-Board Date	Current shareholdings		Current shareholdings of spouse/minor children		Shareholdings in the name of a third party		Education and experience	Concurrent positions in other companies	Managerial officers of the Company who is a spouse or relative within the 2nd degree of kinship under the Civil Code		
					Number of shares	Ownership (%)	Number of shares	Ownership (%)	Number of shares	Ownership (%)			Title	Name	Relationship
General Manager	Republic of China	Wei-Cheng Wu	Male	102.03.01	945	-	-	-	-	-	Los Angeles Culinary Institute	The institutional director representative of Silks Palace At National Palace Museum Corp.	None	None	None
General Manager	Republic of China	Hui-Fang Chen	Female	100.03.07	670	-	-	-	-	-	Department of Tourism, Chinese Culture University	None	None	None	None
General Manager	Republic of China	Jing-wen Li	Female	2021.04.01	5,002	-	-	-	-	-	Doctor of Business Administration, Macau University of Science and Technology EMBA, National Chengchi University	Independent Director, U-TECH Media Corporation	None	None	None
Accounting Officer	Republic of China	Chien-Nan Tsao	Male	2022.07.27	-	-	-	-	-	-	Master of Management, Fu Jen Catholic University	Institutional supervisor representative of Silks Palace At National Palace Museum Corp.	None	None	None
Financial Officer	Republic of China	Wen-Yun Wang	Female	2024.03.11	-	-	-	-	-	-	Chinese Culture University	Corporate Director Representative of Grand Formosa Taroko and FIHC Property Management Co., Ltd.	None	None	None

Note: Where the General manager (or someone with an equivalent position, i.e. the highest-ranking manager) and the Chairman are the same person, spouse, or relative of the first degree of kinship, the cause, legitimacy, necessity, and countermeasures must be disclosed (e.g. adding the number of independent directors and more than half of the directors are not employees or managers concurrently): None.

### III. Remuneration paid to directors, supervisors, president, and vice presidents in the latest year:

#### 1. Remuneration to general directors and independent directors

Unit: NT\$ thousands; December 31, 2023

Title	Name	Remuneration of Directors								Ratio of Total Remuneration (A+B+C+D) to Net Income		Relevant remuneration received by directors who are also employees								Ratio of total compensation (A+B+C+D+E+F+G) to net income		Compensation paid to directors from an invested company other than the company's subsidiary				
		Base Compensation (A)		Retirement Pension (B)		Remuneration of directors (C)		Service execution expenses (D) (Note: 1)				Salaries, Bonus and Special Expenditure (E)		Severance Pay (F)		Employee Compensation (G)										
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	Cash amount	Stock amount	Cash amount	Stock amount	The Company	All companies included in the financial statements					
Director	Representatives of Ching Cheng Investment Co., Ltd.: Steven Pan, Yi-Hui Chiang, Rong-Wei Wang, Ming-Yue Lin	2,447	3,167	-	-	7,212	7,212	2,179	2,197	11,838	12,576	0.836%	0.888%	-	-	-	-	-	-	-	-	11,838	12,576	0.836%	0.888%	None
	Formosa International Development Corp.: Kong-wen Li, Chi-shang Kao																									
Independent Director	Se-Chen Lai	-	-	-	-	1,949	1,949	24	24	1,973	1,973	0.139%	0.139%	-	-	-	-	-	-	-	-	1,973	1,973	0.139%	0.139%	None
	Kuo-Chun Chang																									
	Wen-Jie Wang																									

1. The remuneration policy, system, standards and structure of the Company's directors and independent directors, and the relevance of the remuneration to the amount of remuneration based on the responsibilities, risks, investment time and other factors: The Company's Articles of Association stipulate the principles of payment of directors' remuneration, which authorizes the Board of Directors to determine it according to the extent of their engagement in the Company's operations and the value of their contributions, and by taking reference to the standards among the industry. The Articles of Association also clearly stipulate that 0.5% of annual profit upmost shall be used as directors' remuneration.

2. Remuneration received by directors for services provided in the most recent year, other than those disclosed in the above table: None

Note 1: Cost price is NT\$673 thousand for vehicles; NT\$1,440 thousand for house rent is expense; remuneration to drivers is NT\$639 thousand

Range of Remunerations

Range of Remunerations of Directors	Name of Director			
	Total of A+B+C+D		Total of A+B+C+D+E+F+G	
	The Company	Information of all companies included in the financial statements H	The Company	All companies included in the financial statements I
under NT\$1,000,000	Yi-Hui Chiang, Rong-Wei Wang, Kong-Wen Lee, Chi-Shang Kao, Se-Chen Lai, Guo-Jun Chang, Wen-Jie Wang	Same as left	Yi-Hui Chiang, Rong-Wei Wang, Kong-Wen Lee, Chi-Shang Kao, Se-Chen Lai, Guo-Jun Chang, Wen-Jie Wang	Same as left
NT\$1,000,000 (inclusive) - NT\$2,000,000 (exclusive)	-	-	-	-
NT\$2,000,000 (inclusive) - NT\$3,500,000 (exclusive)	Ming-Yueh Lin	Same as left	Ming-Yueh Lin	Same as left
NT\$3,500,000 (inclusive) - NT\$5,000,000 (exclusive)	-	-	-	-
NT\$5,000,000 (inclusive) - NT\$10,000,000 (exclusive)	Steven Pan	Same as left	Steven Pan	Same as left
NTD 10,000,000 (inclusive) - NT\$15,000,000 (exclusive)	-	-	-	-
NT\$15,000,000 (inclusive) - NT\$30,000,000 (exclusive)	-	-	-	-
NT\$30,000,000 (inclusive) - NT\$50,000,000 (exclusive)	-	-	-	-
NT\$50,000,000 (inclusive) - NT\$100,000,000 (exclusive)	-	-	-	-
over NT\$100,000,000	-	-	-	-
Total	9	9	9	9

2. Remuneration to supervisors: Not applicable
3. Remuneration to the President and Vice Presidents

Unit: NT\$ thousands; December 31, 2023

Title	Name	Salary (A)		Retirement Pension (B)		Bonus and Special Expenditure (C)		Employees' remuneration (D)				Sum of A, B, C, and D and their percentage in net income (%)		Compensation paid to directors from an invested company other than the company's subsidiary
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
General Manager	Wei-Cheng Wu	20,687	20,687	432	432	-	-	4,579	0	4,579	0	25,698 1.82%	25,698 1.82%	None
General Manager	Hui-Fang Chen													
General Manager	Jing-wen Li													
Chief Financial Officer	Shang-Fei Wu													

#### Range of Remunerations

Range of General Managers' and Vice Presidents' Remuneration	Name of General Manager and Vice President	
	The Company	All companies included in the financial statements
under NT\$1,000,000		
NT\$1,000,000 (inclusive) - NT\$2,000,000 (exclusive)		
NT\$2,000,000 (inclusive) - NT\$3,500,000 (exclusive)		
NT\$3,500,000 (inclusive) - NT\$5,000,000 (exclusive)		
NT\$5,000,000 (inclusive) - NT\$10,000,000 (exclusive)	Wei-Cheng Wu, Hui-Fang Chen, Ching-Wen Li, Shang-Fei Wu	Wei-Cheng Wu, Hui-Fang Chen, Ching-Wen Li, Shang-Fei Wu
NT\$10,000,000 (inclusive) - NT\$15,000,000 (exclusive)		
NT\$15,000,000 (inclusive) - NT\$30,000,000 (exclusive)		
NT\$30,000,000 (inclusive) - NT\$50,000,000 (exclusive)		
NT\$50,000,000 (inclusive) - NT\$100,000,000 (exclusive)		
over NT\$100,000,000		
Total	4	4

3-1. Remunerations of top 5 executives of TWSE/TPEX listed companies: Not applicable.

4. Names of managerial officers who received employee remuneration and the status of distribution

December 31, 2023

	Title	Name	Stock amount	Cash amount (NT\$ thousand)	Total (NT\$ thousand)	% in net earnings after tax
Managerial Officer	General Manager	Wei-Cheng Wu	-	4,906	4,906	0.35
	General Manager	Hui-Fang Chen				
	General Manager	Jing-wen Li				
	Financial Officer	Shang-Fei Wu				
	Accounting Officer	Chien-Nan Tsao				

5. A comparative description and an analysis of the ratios of the total remuneration paid to the directors, president, and vice presidents of the Company in the most recent 2 years by the Company and all companies included in the consolidated financial statements as a percentage of after-tax earnings indicated in the entity financial statement, and a description of the policies, standards, and Remuneration package, procedures for determining remuneration, and the correlation between business performance and future risks.

A. Analysis of the total remunerations paid to the Company’s directors, general managers, and vice general managers in the most recent two years by the Company and all companies included in the consolidated financial statements as a percentage of after-tax earnings indicated in the entity financial report:

Title	2022		2023	
	The Company	All companies included in the consolidated financial statements	The Company	All companies included in the consolidated financial statements
Director	1.627%	1.669%	0.975%	1.027%
General Manager and Deputy General Managers	2.41%	2.41%	1.82%	1.82%
Net profit after tax in the parent company only financial statements	NT\$902,897 thousand		NT\$1,415,555 thousand	

Director’s remuneration includes transportation, compensation, and director’s remuneration. Regarding transportation expenses, payment will be made according to Article 22 and Article 28 of the company’s bylaws, based on the director’s personal attendance at the board meetings. Regarding compensation, payment will be made according to Article 22-1 and Article 28-1 of the company’s bylaws. Regarding director’s fees, payment will be made according to Article 30 of the company’s bylaws. If the company is profitable for the year, 5% should be set aside for employee remuneration, and not more than 0.5% for director’s fees. The decision must be made by the board of directors with the attendance of at least two-third of the directors, and more than half agreeing to the decision, and reported to the shareholders’ meeting. Remuneration to the President and Vice Presidents includes salaries, bonuses, dormitory, car and employee bonuses, and is determined in accordance with the positions and responsibilities assumed.

B. Procedures for determining remuneration: In order to evaluate the compensation and remuneration of directors and managerial officers on a regular basis, the remuneration is based on the evaluation results of the Company’s “Board of Directors Performance Evaluation Policy” and the “Performance Appraisal Policy” applicable to managerial officers and employees. Based on the level of participation and contribution to the Company’s operations, and the achievement rate of work targets, the salaries of managerial officers are determined with reference to the salary level in the same industry in order to maintain the overall competitiveness of human resources and ensure the Company’s operational performance. In order to inspire employees to actively create company profits and reward



employees' efforts, the Company has formulated performance bonus measures. The calculation of performance bonus is based on the after-tax profit and loss multiplied by the bonus appropriation ratio, and the operating performance of the profit center is combined and distributed to managers at the end of the year.

The degree of participation in and contribution to the company's operations as referred to above is highly correlated with the goal achievement rate and performance evaluation, and includes financial indicators (such as the company's profitability) and non-financial indicators (such as operational safety management, customer satisfaction and the implementation of quality assurance and management-related performance targets).

The remuneration of directors and managerial officers is regularly assessed and determined by the Remuneration Committee, and is submitted to the Board of Directors for approval.

C. Correlation with business performance and future risks:

The review of the payment standards and system related to the Company's remuneration policy is mainly based on the overall operating status of the Company, and determine payment standards based on the performance attainment rate and contribution to improve the overall organizational team effectiveness of the Board of Directors and managerial officers. Remuneration to directors is related to the Company's operating performance, and the Remuneration Committee regularly evaluates the reasonableness of the connection between the performance of individual directors and managers and the Company's operating performance and future risks in order to determine their remuneration.

## IV. Status of Corporate Governance

### (I) Operation of the board of director

In 2023, the Board of Directors convened 4 meetings (A), and the attendance of directors is as follows :

Title	Name	Actual attendance rate (B)	Attendances by proxy	Actual attendance rate (%) (B/A)	Remark
Chairman	Ching Cheng Investment Co., Ltd. Representative: Steven Pan	4	0	100%	
Director	Ching Cheng Investment Co., Ltd. Representative: Yi-Hui Chiang	4	0	100%	
Director	Ching Cheng Investment Co., Ltd. Representative: Rong-Wei Wang	4	0	100%	
Director	Ching Cheng Investment Co., Ltd. Representative: Ming-Yueh Lin	4	0	100%	
Director	Formosa International Development Corp. Representative: Kung-Wen Li	3	1	75%	
Director	Formosa International Development Corp. Representative: Chi-Shang Kao	2	1	50%	
Independent Director	Se-Chen Lai	3	1	75%	
Independent Director	Kuo-Chun Chang	3	1	75%	
Independent Director	Wen-Jie Wang	4	0	100%	

Other information required for disclosure:

- I. For Board of Directors meetings that meet any of the following conditions, state the date, session, motions, opinions of all independent directors, and how the company has responded to the opinions of the independent directors:
  - (I) Listed in Article 14-3 of the Securities and Exchange Act: Not applicable. The Company has established an Audit Committee. The requirements of Article 14-3 of the Securities and Exchange Act are not applicable. For related information, please refer to this annual report Operation of the Audit Committee.
  - (II) Any other documented objections or qualified opinions raised by independent directors against Board resolutions other than those referred to above: None.
- II. For the execution of avoidance of interest-conflicting motions, the name of the director, the content of the motion, the reason for the avoidance of conflicts of interest, and the participation in the voting process shall be described: none.

III. Information on the evaluation cycle, duration, scope, method, and content of self-evaluation (or peer evaluation) of the Board of Directors:

Assessment cycle	Assessment duration	Scope of assessment	Assessment methods	Assessment contents
Conduct once a year	2023.01.01~ 2023.12.31	Performance evaluation of the Board of Directors, individual board members, and functional committees	The Board of Directors' internal self-assessment Self-Evaluation of the Directors	(I) Performance evaluation of the Board of Directors: 1. Participation in the Company's operations 2. Improving the quality of board of directors' decision making 3. Composition and structure of the Board of Directors 4. Election and continuing education of directors 5. Internal control (II) Performance evaluation of directors 1. Alignment of the Company's goals and missions 2. Awareness of the duties of directors 3. Participation in the Company's operations 4. Internal relationship management and communication 5. Election and continuing education of directors 6. Internal control (III) Performance evaluation of functional committees 1. Participation in the Company's operations 2. Awareness of the duties of the functional committee 3. Decision-making quality of the functional committee 4. Composition of functional committees and election of members 5. Internal control

IV. Enhancement of the functions of the Board of Directors in the current year and the most recent year (such as the establishment of an Audit Committee and the improvement of information transparency, etc.), and the implementation evaluation:

- (I) The Company established an Audit Committee to replace supervisors after the general shareholders' meeting held on August 20, 2021 for re-election of directors to strengthen the functions of the Board.
- (II) Proactively assisting the Directors in participating in courses related to the Company's industry in accordance with the Company's corporate governance regulations, in order to improve the functions of the members of the Board of Directors.

(II) Operation of the Audit Committee:

The Audit Committee held 4 meetings in 2023 (A). The attendance record of independent directors is as follows:

Title	Name	Actual attendance (B)	Attendances by proxy	Actual attendance rate (%) (B/A)	Remark
Independent Director	Kuo-Chun Chang	3	1	75%	
Independent Director	Se-Chen Lai	3	1	75%	
Independent Director	Wen-Jie Wang	4	0	100%	

The Company established an Audit Committee on August 20, 2021, consisting of 3 independent directors. A total of 4 meetings were convened in 2023. The main tasks and contents of the review are as follows:

1. Financial statements certified or reviewed by CPAs.
2. Earnings distribution.
3. Appointment and remuneration of CPAs in 2023.
4. Review the audit plan for the following year.
5. Partially revised "Procedures for the Acquisition and Disposal of Assets."
6. Changes of the financial officer, accounting officer, and spokesperson.

Other information required for disclosure:

- I. In the event of any of the following in the operation of the Audit Committee, state the date and session of the Audit Committee meeting, the contents of the agenda, dissenting opinions, qualified opinions, or major recommendations of the independent directors, the Audit Committee's resolution results, and the Company's response to the Audit Committee's handling of opinions.

(I) Matters specified in Article 14.5 of the Securities and Exchange Act:

Audit Committee	Motion content and follow-up actions	Dissenting opinions, qualified opinions, or major recommendations of independent directors	Resolution of the Audit Committee	The Company's response to the opinions of the Audit Committee
The 6th session of the 1st Term (2023.03.20)	2022 Business Report and Financial Statements	None	Unanimously approved by all present committee members	Unanimously approved by the present directors
	2022 Earnings Distribution Proposal			
	Due to internal organizational adjustment, the CPA firm changed its CPAs			
	Appointment and remuneration of CPAs in 2023			
	2022 "Internal Control System Statement"			
	Pre-approval of the CPAs and their firm to provide non-assurance services to the Company and its subsidiaries.			
The 7th session of the 1st Term (2023.05.08)	2023 first quarter consolidated financial statements	None	Unanimously approved by all present committee members	Unanimously approved by the present directors
	2023 first quarter earnings appropriation			
The 8th session of the 1st Term (2023.08.11)	2023 second quarter consolidated financial statements	None	Unanimously approved by all present committee members	Unanimously approved by the present directors
	2023 second quarter earnings appropriation			
The 9th	2023 third quarter consolidated	None	Unanimously	Unanimously

session of the 1st Term (2023.11.13)	financial statements		approved by all present committee members	approved by the present directors
	2023 third quarter earnings appropriation			
	2024 Annual Audit Plan			

- (II) Other than those referred to above, other resolutions that have not been approved by the Audit Committee but have been approved by more than two-thirds of all directors: No such situation.
- II. In the case of recusal of conflicts of interest among independent directors, the name of the independent director, the content of the proposal, the reason for the recusal, and the participation in voting of the independent directors shall be described: None.
- III. Communication between independent directors and the internal audit head and accountants (including major issues, methods, and results of communication on the company's financial and business status).
- (I) The communication between independent directors and the chief audit officer is as follows: Internal auditors conduct monthly audits according to the annual audit plan and submit audit reports to independent directors, and the audit supervisor also reports on important audit business to the independent directors on a quarterly basis, and the audit committee held a meeting on November 13, 2023 to review and approve the audit plan for the next year. Independent directors may discuss the operation of the Company's internal control system with the internal audit supervisor at any time; if the internal audit supervisor finds abnormal conditions, he will report to the independent directors at any time.
- (II) Communication between independent directors and CPAs is as follows: The Company's CPAs communicated with independent directors in writing or by way of meetings on governance matters during the annual audit. When independent directors have questions about the Company's financial status or internal control system, they may contact the CPAs for inquiry and discussion at any time. CPAs participated in the Audit Committee on March 20, 2023, communicated with independent directors, and reported the audit results of the 2022 financial statements.

(III) Deviation and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies:

Indicator	Operations			Difference from the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and the reasons
	Yes	No	Summary	
I. Has the Company established and disclosed its corporate governance principles in accordance with the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"?	✓		The Company has established its Corporate Governance Best-Practice Principles in accordance with the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and discloses the principles on the Market Observation Post System and the Company's website.	Compliance with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
II. The shareholding structure of the Company and shareholders' rights and interests (I) Does the company stipulate internal operating procedures to process matters in regard to the shareholders' recommendations, doubts, disputes and litigation, and conduct implementation based on these procedures? (II) Does the Company have a list of major shareholders who actually control the company and a list of shareholders who ultimately control these major shareholders? (III) Does the Company create and implement risk control and firewall mechanism with the related companies? (IV) Does the Company stipulate internal regulations that prohibit insiders from buying and selling securities with the unpublished information on the market?	✓		(I) The Company has appointed a spokesperson and an acting spokesperson to handle related matters; any disputes will be handled by the Company's legal advisors. (II) The Company keeps track of it according to the roster of shareholders provided by the stock registrar and as required by the competent authority, and applies to Jiho on a quarterly basis the information on shareholders with shareholdings of at least 5%. (III) The Company establishes the "Regulations Governing the Supervision of Subsidiaries" to establish risk control and firewall mechanisms for the affiliated enterprises, and the audit personnel regularly supervise their implementation. (IV) The Company has established the "Insider Trading Prevention Management Procedure" to prohibit the insiders from utilizing the undisclosed information to trade securities.	Compliance with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
III. Composition and responsibilities of the board of directors				

Indicator	Operations			Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary	
(I) Does the Board of Directors have the diversity policy formulated and specific management goals implemented?	✓		(I) The Company has established the “Corporate Governance Best-Practice Principles” and stipulated the policy of diversity in Chapter 3 “Enhancing the Functions of the Board of Directors”. The composition of the Company’s Board of Directors emphasizes the elements of diversity, and the members of the Board of Directors of the Company generally possess the necessary knowledge to perform their duties, skills and literacy, and the diversity policy and implementation, please refer to pages 22-23.	Compliance with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.  Compliance with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(II) Other than the establishment of Remuneration Committee and Audit Committee which are required by law, does the Company plan to set up other functional committees?		✓	(II) The Company has set up the Remuneration Committee, Audit Committee and Sustainability Committee, but has not yet set up other functional committees. In the future, the committee will be set up as needed.	
(III) Does the Company stipulate performance assessment regulations and assessment methods for the board of directors and conduct the performance assessment on a yearly basis, and was the result of performance assessment reported to the board of directors for the reference of individual directors’ salary and nomination of reappointment?	✓		(III) The Company has established the “Regulations Governing the Evaluation of the Performance of the Board of Directors”, and the results of the performance evaluation of the Board of Directors shall be the reference for the selection or nomination of directors, and the performance evaluation of individual directors shall be the reference for determining the compensation and remuneration of individual directors. The Company also evaluates the performance of functional committees (including the Audit Committee and the Remuneration Committee). The 2023 Board of Directors Performance Evaluation Report was submitted to the Board of Directors on March 11, 2024. The evaluation results were all “significantly exceeding	

Indicator	Operations			Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons					
	Yes	No	Summary						
(IV) Does the company regularly evaluate its certified public accountant’s independence?	✓		<p>the standards”.</p> <p>(IV) To establish relevant evaluation criteria in accordance with Article 47 of the Certified Public Accountant Act and No. 10 of “Integrity, Objectivity, and Independence” of the Certified Public Accountant Code of Ethics of the Republic of China, and evaluate the independence of CPAs on a regular basis every year. The independence assessment of CPAs for this year was approved by the audit committee on March 11, 2024 and submitted to the Board of Directors for resolution. After the assessment, the independence and suitability of the two CPAs were satisfactory, and the statement of independence and “Audit Quality Indicators (AQIs)” were issued. The criteria for assessing the independence of the CPAs are as follows:</p> <table border="1"> <thead> <tr> <th>Indicator</th> </tr> </thead> <tbody> <tr> <td>1. Does not have any direct or material indirect financial interest relationship with the Company or any of its affiliated enterprises.</td> </tr> <tr> <td>2. There is no loaning of funds with the Company or any of its affiliated enterprises.</td> </tr> <tr> <td>3. Not currently employed by the Company as a regular employee receiving a fixed salary or serving as a director.</td> </tr> <tr> <td>4. Not a spouse, direct relative by blood, direct relative by-in-law, or collateral blood within the second degree of kinship with the Company’s management.</td> </tr> </tbody> </table>	Indicator	1. Does not have any direct or material indirect financial interest relationship with the Company or any of its affiliated enterprises.	2. There is no loaning of funds with the Company or any of its affiliated enterprises.	3. Not currently employed by the Company as a regular employee receiving a fixed salary or serving as a director.	4. Not a spouse, direct relative by blood, direct relative by-in-law, or collateral blood within the second degree of kinship with the Company’s management.	
Indicator									
1. Does not have any direct or material indirect financial interest relationship with the Company or any of its affiliated enterprises.									
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3. Not currently employed by the Company as a regular employee receiving a fixed salary or serving as a director.									
4. Not a spouse, direct relative by blood, direct relative by-in-law, or collateral blood within the second degree of kinship with the Company’s management.									









Indicator	Operations			Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary	
			<p>5. Not concurrently operating other businesses that may lose its independence.</p> <p>6. No business-related commissions were collected.</p> <p>7. Not having a material or close business relationship with the Company or any of its affiliates.</p> <p>8. No audit service has been provided to the Company for seven consecutive years.</p> <p>9. Management functions that do not involve decision-making by the Company or any of its affiliated enterprises.</p>	
IV. Does the listed or OTC company have qualified and suitable number of corporate governance personnel, and does the company appoint a corporate governance officer to be responsible for matters regarding corporate governance (including but not limited to providing directors and supervisors with information required for the implementation of business operations, assisting directors and supervisors to comply with laws and regulations, processing the matters regarding the board of directors meeting and shareholders meeting, and preparing meeting minutes for the board of directors meeting and shareholders meeting, etc.)?		✓	The Company appointed a corporate governance supervisor by June 1, 2023. The major tasks include handling matters related to the meetings of the Board of Directors and shareholders’ meetings in accordance with the law, preparing minutes of the Board of Directors and shareholders’ meetings, and assisting directors in taking office and their continuing education, providing directors with information required for executing their works, and assisting directors in complying with laws and regulations.	Compliance with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
V. Has the company established communication channels with stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.), set up a page especially for	✓		There is a contact area on the Company’s website where any stakeholder may exchange opinions with the Company at any time. A link to the stakeholder questionnaire is also available in the area to collect	Compliance with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.


Indicator	Operations			Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary	
stakeholders on the company’s website, and appropriately responded to the important corporate social responsibility issues of concern to stakeholders?			information on relevant issues. The Sustainability Committee reports the status of communication with stakeholders to the Board of Directors at least once a year. The status of communication with stakeholders in 2023 was reported to the Board of Directors on November 13, 2023. Please refer to page 40 (Note 1) for details on the communication channels with stakeholders.	
VI. Does the Company entrust a professional shareholder services agency to conduct matters regarding the shareholders meeting?	✓		The Company has commissioned a professional share registrar named “Shares Registration Department, Taishin Securities” to handle matters related to shareholders’ meetings and share affairs.	Compliance with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
VII. Information disclosure (I) Does the Company create a website to disclose information regarding its finance, business operations and corporate governance? (II) Does the Company adopt other methodology of information disclosure (such as creating an English website, appointing a dedicated person to be responsible for the collection and disclosure of the Company’s information, implementing the spokesperson system, and uploading videos of the investor conferences on the company’s website)? (III) Does the Company announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the first, second, third quarter financial reports and the monthly operation status earlier than the specified deadline?	✓  ✓		(I) The Company’s website: <a href="https://www.silkshotelgroup.com/tw/">https://www.silkshotelgroup.com/tw/</a>  (II) The Company has a designated person responsible for the disclosure of material information of the Company, and discloses information on the MOPS and the Company’s website on time. A spokesperson system has also been implemented as required. These are uploaded to MOPS and the Company’s official site.  (III) The Company announces and declares its annual financial statements, the first, second and third quarterly financial statements and the operation status of each month well in advance. com.tw/)	Compliance with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Indicator	Operations			Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary	
VIII. Does the Company have other important information that can help in gaining a better understanding about the operations of corporate governance (including but not limited to the employees’ rights, employee care, investor relations, supplier relation, rights of interested parties, training status of directors and supervisors, implementation status of risk management policies and standards of risk measurement, the implementation of customer policies, the purchase of liability insurance for directors and supervisors by the Company, etc.)?	✓		<ol style="list-style-type: none"> <li>1. Employee rights: The Company protects the rights and interests of its employees in accordance with the Labor Standards Act.</li> <li>2. Employee care: The Company provides a sound welfare system and education and training (such as employee trips, health checkups, etc.) to build mutual trust with employees.</li> <li>3. Investor relations: There is a dedicated service and stock affairs unit to handle shareholder affairs.</li> <li>4. Supplier relations: The Company evaluates suppliers on a regular basis, and the two sides have maintained good relations with suppliers through sufficient communication.</li> <li>5. Stakeholders’ rights: Stakeholders may communicate with and make suggestions to the Company in order to protect their legitimate rights and interests.</li> <li>6. Implementation of customer policy: The Company maintains stable and good relationship with its customers to create corporate profits.</li> <li>7. The Company has purchased liability insurance for directors and has reported to the board of directors.</li> </ol>	Compliance with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
<p>IX. Please explain the improvement status of the corporate governance assessment results issued by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year and propose improvement measures for those matters that have not been improved.</p> <p>The Company will propose enhancement priorities and improvement measures for the following projects:</p> <ol style="list-style-type: none"> <li>1. In order to facilitate investors to understand the content of the shareholders’ meeting in a diversified way, the Company has adopted the method of video conference to assist the shareholders’ meeting to be convened since the 2023 shareholders’ meeting.</li> <li>2. In order to facilitate investors to obtain sufficient and correct information in a timely manner, the Company has reported changes in insider shareholdings before the 10th day of each month since 2023.</li> <li>3. In order to facilitate foreign institutions to obtain relevant information, it is proposed to disclose financial statements in both Chinese and English starting from 2024.</li> </ol>				

Note 1: Communication channels with stakeholders:

Stakeholders	Issues of Concern	Frequency and method of communication	Communication Performance in 2023
 <p>Employees</p>	<ul style="list-style-type: none"> <li>Talent cultivation and career development</li> <li>Employee care and benefits</li> <li>Diversity and Inclusion</li> <li>Occupational safety and health</li> </ul>	<p>Occasional announcements on the bulletin board, Silks University APP, HR consultation Employee satisfaction survey Regular employee welfare committee meetings, labor-management meetings, and occupational safety and health meetings Annual training plan</p> <p>Email:ivy.fu@regenttaiwan.com</p>	<p>Regular labor-management meetings and Occupational Health and Safety Committee meetings Conducted career on-the-job training for a total of 3,276 people, with a total of 7,746 man hours and human rights protection-related training for 5,365 participants and 11,217 person-hours</p>
 <p>Shareholder/ Investor</p>	<ul style="list-style-type: none"> <li>Sustainable Development Strategy and Action Plan</li> <li>Corporate governance (investor relations, business performance, functions of the Board of Directors, ethical corporate management, and anti-corruption codes of conduct)</li> <li>Risk management</li> <li>Innovation and customer service</li> </ul>	<p>Board of Directors and General Meeting of Shareholders, Issuance of Annual Report, and Perpetuity Report Institutional investor conference and investment forum Market Observation Post System Company website, grievance hotline, email</p> <p>Email:brita.wang@regenttaiwan.com</p>	<p>4 Board of Directors meetings and 1 shareholders' meeting held Held 4 institutional investor conferences Released 18 pieces of material information Publication of annual sustainability report</p>

 Customers/ consumers and tenants of shopping malls	<ul style="list-style-type: none"> <li>• Food Safety and Health</li> <li>• Supply chain management (supplier evaluation and procurement mechanism)</li> <li>• Personal information protection and information security</li> </ul>	Corporate website, Sustainability Report Customer satisfaction survey Social media, press releases Telephone, E-mail Club Membership Bulletin Email:customerservice@regenttaiwan.com	Publication of annual sustainability report Customer Satisfaction Score: 83 Enhance information security systems
 Strategic partners (e.g. suppliers, contractors)	<ul style="list-style-type: none"> <li>• Food Safety and Health</li> <li>• Supply chain management (supplier evaluation and procurement mechanism)</li> </ul>	Non-scheduled supplier meetings Regular supplier audit and evaluation Unscheduled vendor visits Number and e-mail for reporting ethical violations  Email:juliet.liu@regenttaiwan.com	A total of 69 suppliers' written reviews and 11 on-site inspections were conducted. As a result, there were no suppliers that failed the assessment with a total score of less than 60. No violation of business ethics reported
 Media/Online community	<ul style="list-style-type: none"> <li>• Operational performance</li> <li>• Innovation and customer service</li> <li>• Community Care and Charity</li> </ul>	Unscheduled Press Conference Unscheduled press releases, exclusive interviews Hotline, E-mail Email:ellen.chang@regenttaiwan.com	Monthly/quarterly press release and social media feed
 Government authority	<ul style="list-style-type: none"> <li>• Sustainable development policy</li> <li>• Corporate governance (investor relations, business performance, functions of the Board of Directors, ethical corporate management, and anti-</li> </ul>	Periodic regulatory review Market Observation Post System Advocacy of relevant policies and laws of the competent authority  Email:brita.wang@regenttaiwan.com	Complete the publication of the annual product disclosure sustainability report in accordance with the government's food safety regulations

	<p>corruption codes of conduct)</p> <ul style="list-style-type: none"> <li>• Risk management</li> <li>• Food Safety and Health</li> <li>• Occupational safety and health</li> <li>• Waste management</li> <li>• Energy management</li> <li>• Climate Change and Environmental Protection</li> </ul>		
 <p>Community and Non-Profit Organizations</p>	<ul style="list-style-type: none"> <li>• Integrity Management</li> <li>• Community Care and Charity</li> </ul>	<p>Responding to social welfare activities and initiatives of different organizations  Publication of annual sustainability report  Meeting with villagers  Telephone, email, letter communication</p> <p>Email:customerservice@regenttaiwan.com</p>	<p>Adoption at No. 4 Park Plaza, Zhongshan District and continued the 8th cooking charity event. The Group's subsidiaries include Regent Taipei, Silks Place Tainan, Silks Place Taroko, Wellspring by Silks, and Just Sleep held a series of year-end charity activities to spread warmth and support to the community.</p>

(IV) Composition and operation of the Remuneration Committee:

The responsibilities of the Remuneration Committee shall be with the care of a good administrator, faithfully performing the following functions and powers, and shall submit its suggestions to the Board of Directors for discussion:

- a. Regularly review the organizational procedures and propose amendments.
- b. Formulate and periodically review the annual and long-term performance goals and compensation and remuneration policies, systems, standards, and structures for the Company's directors and managerial officers.
- c. Regularly evaluate the achievement of the performance targets of the Company's directors and managerial officers, and set the content and amount of individual compensation and remuneration.

(1) Information of Remuneration Committee members

December 31, 2023

Identity	Criteria	Professional qualifications and experience	Independence	Number of concurrent remuneration committee member posts to other public companies
	Name			
Convener and Independent Director	Kuo-Chun Chang	Please refer to pages 16-22 for information on the disclosure of directors' professional qualifications and independent director independence.	(1) Not an employee of the Company or any of its affiliated enterprises. (2) Not a director or supervisor of the Company or any of its affiliated enterprises. (3) Holding more than 1% of the outstanding shares issued by the company or among the top 10 natural person shareholders by the person or his/her spouse or underage children, or in the name of a third party. (4) Not a managerial officer as specified in (1) nor a spouse, a blood relative at the second degree of kinship under the Civil Code, or a blood relative at the second degree of kinship under the Civil Code as specified in (2) and (3).	0
Independent Director	Se-Chen Lai		(5) Directors who are not corporate shareholders of the Company who directly hold 5% or more of the total number of issued shares of the Company, or who are among the top five shareholding companies, or who have appointed a representative to serve as the Company's directors, supervisors or employees in accordance with Paragraph 1 or Paragraph 2, Article 27 of the Company Act.	1
Independent Director	Wen-Jie Wang		(6) Not a director, supervisor, or employee of another company whose majority of seats or voting shares are controlled by the same person. (7) Not a director, supervisor, or employee of any other company or institution that is the same person or	0

Identity	Criteria Name	Professional qualifications and experience	Independence	Number of concurrent remuneration committee member posts to other public companies
			<p>spouse as the chairman, general manager, or someone with equivalent position of the company.</p> <p>(8) Not a director, supervisor, managerial officer, or shareholder with more than 5% ownership interest in any companies or institutions that have financial or business dealings with the Company.</p> <p>(9) Not a professional individual, nor an owner, partner, director, supervisor, nor managerial officer of a sole proprietorship, partnership, company, nor institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting, or related services to the company or any affiliate of the company for which the provider has received cumulative compensation exceeding NT\$500,000 in the past 2 years, nor a spouse thereof, provided this restriction does not apply to a compensation committee member, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or the Business Mergers and Acquisitions Act or related laws or regulations.</p>	



(2) Information on the operation of the Remuneration Committee

- I. The Company's Remuneration Committee consists of 3 members.
- II. The tenure of the current members is from November 12, 2021 to August 19, 2024. The Remuneration Committee held 3 meetings (A) in 2023. The qualifications and attendance of members are as follows:

Title	Name	Actual attendance (B)	Attendances by proxy	Actual attendance rate (%) (B/A) (Note)	Remark
Convener	Kuo-Chun Chang	2	1	67%	
Committee member	Se-Chen Lai	3	0	100%	
Committee member	Wen-Jie Wang	3	0	100%	

Other information required for disclosure:

I. When BOD rejects or modifies the recommendations made by the Remuneration Committee, please state the date and session of board meeting, the proposal, BOD resolutions, and settlement on the opinions of Remuneration Committee members (if the salary and compensation approved by BOD are superior to that recommended by the Remuneration Committee, please specify the differences and causes): NA.

II. For resolutions made by the Remuneration Committee, if any member has objections or reservations that are recorded or stated in writing, the date of the Remuneration Committee, the session, the content of the proposal, and the handling of the opinions of all members and the opinions of the members should be described: No such situation.

- III. Discussions and resolutions of the Compensation Committee in the latest year, and the Company's response to members' opinions:

The Committee shall abide by the following principles in the performance of its functions and powers:

1. Ensure that the Company's compensation arrangement complies with relevant laws and regulations and is sufficient to attract outstanding talents.
2. The performance evaluation and remuneration of directors and managerial officers shall be made with reference to the general level of payment in the same industry, and shall also take into account the time invested, responsibilities, achievement of personal goals, performance in other positions, and equivalent positions offered by the Company in recent years. The achievement of the Company's short-term and long-term business goals and the financial status of the Company shall assess the reasonableness of the connection between individual performance and the Company's operating performance and future risks.
3. Directors and managerial officers shall not be induced to engage in behaviors that exceed the Company's risk appetite in pursuit of compensation.
4. The percentage of short-term performance bonus paid to directors and senior managerial officer and the timing of payment of some of the variable salaries shall be decided in consideration of industry characteristics and the nature of the Company's business.
5. Members of the Committee are not allowed to participate in the discussion and voting of their own salary and remuneration.

The Company's Remuneration Committee held meetings and reviewed and assessed the information on the Company's remuneration in the last year as follows:

Remuneration Committee	Discussion of proposal	Resolution	The Company's account to suggestion made by the Remuneration Committee
The 1st session in 2023 2023.03.20	Considered the distribution of remuneration to employees and directors 2022 of the Company. Proposal of managerial officer promotion and salary adjustment.	All members of the Committee agreed to the proposal.	Reported to the board and approved by all attending directors of the board.
The 2nd session in 2023 2023.05.08	Appointment of Corporate Governance Officer.	All members of the Committee agreed to the proposal.	Reported to the board and approved by all attending directors of the board.
The 3rd session in 2023 2023.11.13	Reviewed the compensation and remuneration items to be implemented by the Company in 2024.	All members of the Committee agreed to the proposal.	Reported to the board and approved by all attending directors of the board.

(V) Implementation of sustainable development and deviations from the Sustainable Development Best-Practice Principles for TPEX-Listed Companies and the causes

Promoting items	Implementation Status			Discrepancies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
I. Does the Company have a governance structure for sustainability development and a dedicated (or ad-hoc) sustainable development unit with Board of Directors authorization for senior management, which is supervised by the Board of Directors?	✓		<p>Our company established the Corporate Social Responsibility (CSR) Committee in 2014, which was renamed the “Sustainability Development Committee” in the 2021. The committee is chaired by the Chairman, with the Group’s COO and the General Manager of Regent Taipei serving as the Deputy Chair. In 2023, the committee’s composition was re-evaluated, adding a dedicated Deputy Manager for Sustainable Development to coordinate and oversee all sustainability-related issues, further integrating cross-brand and cross-departmental resources within the group. The committee members include: the Group’s VP of Public Relations, the VP of Development and Finance, the VP of Room Operations, the Executive VP of Rooms, the Director of Strategy and Revenue Management, the Procurement Deputy Manager, the HR Deputy Manager, the Chief Accountant, the Deputy Chief Engineer, and the Deputy Manager for Sustainable Development.</p> <p>The committee meets at least once a month to discuss and refine sustainability strategies and actions. Following the AA 1000 Stakeholder Engagement Standard (AA 1000 SES), the committee annually reviews the stakeholder identification and engagement processes to understand the sustainability issues they are concerned with. Based on feedback, it focuses on responding to major issues, refining sustainability strategies and action plans, and practicing sustainable corporate impact in both environmental and social realms.</p> <p>Regular reports on sustainability actions are presented to the Board of Directors, who oversee and review strategies and directions. On November 13, 2023, the board was informed that the Taipei Regent Hotel had joined the EarthCheck certification program, becoming the first member in Taiwan of this global sustainable tourism organization. This initiative aims to set industry benchmarks and to continuously practice and coexist with the environment, achieving common prosperity and well-being.</p>	No significant difference
II. Does the Company conduct risk assessment on environmental, social and corporate governance issues that are relevant to its operations and	✓		With reference to international sustainability trends and practices, the Company included material sustainability issues into the stakeholder questionnaire of the 2023 sustainability report, and evaluated the results of	No significant difference

Promoting items	Implementation Status			Discrepancies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons		
	Yes	No	Summary			
stipulate risk management policies or strategies based on principles of materiality?			the questionnaire to formulate relevant risk control strategies. The descriptions are as follows:			
			ESG		Risk category	Risk management strategies
			Environmental Aspect (E)		Environmental impact	The environmental sustainability team is responsible for assessing environmental impact risks, establishing and monitoring the effectiveness of preventive measures against environmental hazards, including waste management and reduction, sewage discharge, energy conservation and carbon reduction. Committed to improving the energy efficiency of in-house equipment, strengthening the performance inspection and evaluation of important equipment, and focusing on the elimination of energy-consuming and old equipment. Improve the overall hotel power factor and reduce waste of reactive power. Reduce the use of single-use bath and cleaning supplies packaging containers, replace them with large-capacity pressurized bottles, and purchase equipment that bears the environmental label. Implement environmentally friendly and green procurement to achieve the goal of reducing greenhouse gas emissions year by year.
			Climate Change and Environmental Protection	The Company follows the proposed framework for the disclosure of climate-related financial information published by TCFD to identify the risks and opportunities of climate change, establish indicators based on the identification results, and perform management by targets.		

Promoting items	Implementation Status			Discrepancies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p><b>Social (S)</b></p> <p>Talent cultivation and development Employee care and benefits Occupational safety and health</p> <p>The Company establishes personnel management policies in accordance with the relevant laws and regulations to protect the rights and interests of employees, and provides labor insurance, national health insurance, employee welfare committees, and employee stock trusts as required by law to reward employees for their savings and investments. Regular labor-management meetings are held to discuss various benefits and systems.</p> <p>The talent cultivation career development plan is implemented according to three major directions. In addition to continuing to focus on recruiting diversity and inclusion, strengthening employee benefits and care, the Company will continue to pursue sustainable talent strategy in 2023, with the launch of a two-year term for new employees and three to five-year. It is a learning and growth platform for those with work experience. Participants may rotate among three different locations or positions within 24 months, providing diversified workplace experience and exploring career development directions.</p> <p>Occupational safety The Occupational Safety Committee implements occupational safety and health management, and regularly reviews the effectiveness of the four major prevention programs for evaluation and improvement actions.</p>	
			<p><b>Community Care and Charity</b></p> <p>The Company has been adopting the facilities at No. 4 Park Plaza in Zhongshan District for more than 20 years. The Company is</p>	

Promoting items	Implementation Status			Discrepancies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>responsible for the cleaning and maintenance of planting and greening, artistic lighting, etc. The Company provides the surrounding residents with a resting place with lush greenery and sets up decorations for various festivals to create a festive atmosphere; at the same time, we continue to provide meals arranged by the village chiefs to care for low-income households and the elderly living alone.</p> <p>Since 2016, a charity cooking activity has been held at the Hualien New Dawn Education and Nursing Institution for 8 years in a row . At the end of the year, each branch also organizes a series of charity events with charity organizations to give back to the society and care for the disadvantaged.</p>	
			<p><b>Governance (G)</b></p> <p>Corporate governance Product innovation and services</p> <p><u>Functions of the Board of Directors</u></p> <ul style="list-style-type: none"> <li>- Information transparency</li> <li>- Establishment of financial policies and responsive measures in compliance with laws and regulations</li> <li>- Procedures for evaluating the performance of the Board of Directors and determining the remuneration of directors</li> <li>- Evaluate the effectiveness of the design and implementation of the internal control system in accordance with the “Regulations Governing the Establishment of Internal Control Systems by Public Companies”</li> </ul> <p><u>Operational performance</u></p> <ul style="list-style-type: none"> <li>-Monitoring the market environment and analyzing consumption trends, and implementing operational risk control mechanisms for each department</li> </ul>	

Promoting items	Implementation Status			Discrepancies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons						
	Yes	No	Summary							
			<table border="1"> <tr> <td></td> <td> <ul style="list-style-type: none"> <li>- Establishment of crisis management team to deal with market crisis immediately</li> <li>- Evaluation and development of corporate transformation, product innovation, and diversification of operational risks</li> </ul> <p><u>Stakeholder Communication</u> Emphasize the interests and expectations of stakeholders, and formulate business strategies in response to major sustainability issues based on the results of communication and identification with stakeholders.</p> </td> </tr> <tr> <td>Food safety and health Supply chain management</td> <td>The Company has established a sound food safety control system, and the HACCP control team is responsible for the implementation of food safety standard operating procedures and the management and supervision of the sanitary environment to ensure timely and effective monitoring to ensure food safety. Carefully evaluate suppliers and procurement mechanisms, select quality suppliers, improve supply quality, and establish a supplier evaluation system. If the evaluation result is unqualified, the cooperation will be terminated.</td> </tr> <tr> <td>Personal information protection and information security</td> <td>Establishment of information system and transaction security control mechanism Information security training</td> </tr> </table>		<ul style="list-style-type: none"> <li>- Establishment of crisis management team to deal with market crisis immediately</li> <li>- Evaluation and development of corporate transformation, product innovation, and diversification of operational risks</li> </ul> <p><u>Stakeholder Communication</u> Emphasize the interests and expectations of stakeholders, and formulate business strategies in response to major sustainability issues based on the results of communication and identification with stakeholders.</p>	Food safety and health Supply chain management	The Company has established a sound food safety control system, and the HACCP control team is responsible for the implementation of food safety standard operating procedures and the management and supervision of the sanitary environment to ensure timely and effective monitoring to ensure food safety. Carefully evaluate suppliers and procurement mechanisms, select quality suppliers, improve supply quality, and establish a supplier evaluation system. If the evaluation result is unqualified, the cooperation will be terminated.	Personal information protection and information security	Establishment of information system and transaction security control mechanism Information security training	
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Personal information protection and information security	Establishment of information system and transaction security control mechanism Information security training									
III. Environmental Issues (1) Has the Company set up an Environmental management system suitable to industry characteristics?	✓		Although the Company does not have an environmental management system in place, it has established a monitoring process for environmental sustainability. The Environmental Sustainability Team of the Engineering Department is responsible for assessing environmental risks, establishing preventive measures against environmental hazards, and supervising and executing daily operations.	No significant difference						

Promoting items	Implementation Status			Discrepancies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(II) Is the Company committed to enhancing the energy efficiency and using renewable materials that have low impact on the environment?	✓		<p><u>Energy management</u> The Company is regulated by the Bureau of Energy, Ministry of Economic Affairs in accordance with the Energy Management Act. The Company is required to log in to the Conservation Audit Technology Information Service and report the annual energy consumption, energy conservation measures, and implementation results. In April of this year, the traditional 360RT spiral water chiller was replaced by a high-efficiency water-cooled variable frequency maglev centrifugal chiller 400RT. The high-efficiency main unit is increased in tons to meet the required air conditioning load. The air conditioner is also replaced in line with the upgrade of the chiller Ancillary equipment includes IE3 high-efficiency ice water primary pump, cooling water pump, and the fan motor of the existing 260RT cooling water tower as well as the additional inverter.</p> <p>At the same time, an energy management system (EMS) is built to optimize the operation of the chiller. In addition to the interlock start-stop control of the cooling water pump, cooling tower fan and the chiller The number of machines in operation and the temperature of water outlet are reduced by 38.2% compared to the old machine.</p> <p>We will continue to comply with relevant regulations on the recycling environment and strive to use energy efficiency to reduce the impact of greenhouse gas emissions on the environment, improve energy management performance, and reduce operating costs.</p> <p><u>Energy consumption</u> The company mainly uses purchased electricity and natural gas, and purchases a small amount of diesel for emergency generators. For electricity, air conditioning and lighting equipment are the largest energy-consuming items, accounting for about 70%. Specific daily energy management measures include the replacement of interior and exterior lighting in guest rooms, aisles, and banquet halls. The halogen lamps that consume more energy are gradually replaced with energy-saving LED lamps, in order to improve the overall power factor of the hotel and reduce waste of reactive power. Replacement of inefficient equipment including air extraction and ventilation, as well as pumps for ice water pumps, regional water pumps and heating systems.</p> <p>We encourage employees to implement energy-saving practices in their</p>	No significant difference

Promoting items	Implementation Status			Discrepancies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>daily operations, and install water savers to join the energy conservation and carbon reduction effort. The engineering department responsible for energy management reviews the data of various equipment and facilities on a daily basis to control energy consumption, and uses information analysis as a reference for energy management optimization to achieve the effect of energy conservation.</p> <p><u>Green procurement, friendly environment</u></p> <p>Reduce the use of single-use plastics in a way that is sustainable and environmentally friendly. Examples include the use of large bottled bath products, the installation of water dispensers, the reduction of plastic bottled water, the placement of environmental cards, and the encouragement of not changing bed linen, duvet covers, and towels during extended stays, in order to reduce detergent and wastewater pollution. The Company also promotes eco-friendly housing projects that provide the option of bringing your own personal toiletry.</p> <p>Wellspring by Silks, Just Sleep Taipei Ximending, Yilan Jiaoxi Branch, and Just Sleep Taipei NTU do not provide disposable spare parts voluntarily. Visitors are encouraged to bring their own personal toiletry products to protect the environment and reduce waste. Water dispensers have been added to guest rooms to reduce the use of bottled water, and employees are encouraged to bring their own thermos to achieve the goal of reducing plastics. Disposable packaging and containers are not provided for welcome refreshments in the lobby. Re-usable environmental protection water bottle and environmental protection rain coat are provided to guests of Silks Place Taroko's half-day tours to invite guests to protect the environment and implement green tourism.</p> <p>Assemble the subsidiaries of Regent Taipei, Silks Place Tainan, Silks Place Taroko, and Wellspring by Silks to introduce "sustainable year-end party". Each dish adheres to the principles of being "local", "seasonal", "eco-friendly", and "waste-conscious", embodying our commitment to coexistence, shared prosperity, and mutual benefits with the environment, thus fulfilling our sustainable goals.</p> <p>The Group replaced all photocopiers with environmentally certified models to reduce carbon emissions while taking into account the physical and mental health of employees. The improvement rate in energy conservation</p>	



Promoting items	Implementation Status			Discrepancies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			and carbon reduction has reached more than 10%.	
(III) Does the Company assess potential risks and opportunities associated with climate change and undertake measures in response to climate issues?	✓		<p>The Sustainable Development Committee's Energy Management Team is in charge of identifying potential climate change risks and opportunities, as well as implementing the Task Force on Climate-Related Financial Disclosures' (TCFD) recommended framework for climate-related financial information disclosures. Identifying climate risks and opportunities using guidelines and principles, so that stakeholders and management understand the major risks and financial impacts of climate change. The management team evaluates and approves response strategies to climate change risks and opportunities, as well as related risks, and reports the implementation results to the Board of Directors on an annual basis.</p> <p>A total of 5 key risk management issues were identified from the perspectives of "Transition Risks" related to a low-carbon economy and "Physical Risks" related to climate change impacts. Including environmental regulations and policies, increases in the cost of low-carbon energy, shortage and price rise of raw materials, changes in consumer preferences, and transformation of products and services. Accordingly, assess the indicators and targets of each risk, formulate risk management measures, and implement the climate change response strategy and risk management goals.</p> <p>Governance Strategy: A total of 5 key risk management issues were identified from the perspectives of "Transition Risks" related to a low-carbon economy and "Physical Risks" related to climate change impacts. Including environmental regulations and policies, increases in the cost of low-carbon energy, shortage and price rise of raw materials, changes in consumer preferences, and transformation of products and services. Based on identified risks and opportunities related to climate change, we have established adaptation strategies that include regulatory compliance, resource recycling and reuse, enhancing operational efficiency, energy saving and carbon reduction, diversification of low-carbon products, and greenhouse gas inventories to develop emission reduction measures. These strategies aim to mitigate operational risks associated with global extreme weather events and gradually incorporate assessments of financial impacts.</p> <p>Risk management:</p>	No significant difference

Promoting items	Implementation Status			Discrepancies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<ul style="list-style-type: none"> <li>• Use a risk matrix to assess major climate change events and their degree of impact.</li> <li>• Identify the entity and transition risks that we will focus on with priority and the financial impact.</li> <li>• Implement risk monitoring mechanisms.</li> <li>• Cooperate with the regulations promulgated by the competent authority to formulate energy-saving and carbon-reduction policies.</li> </ul> <p>Goals and Indicators:</p> <ul style="list-style-type: none"> <li>• Improve energy efficiency and aim to reduce energy consumption by 1% year by year.</li> <li>• 5% of renewable energy procurement volume within 3 years.</li> <li>• Changes in consumers' awareness of environmental protection: Increase the number of low-carbon and carbon footprint products by 5% within 3 years.</li> <li>• Rising raw material costs: The Company carefully selects suppliers to maintain stable supply quality, and develops new products using local raw materials.</li> </ul>	
(IV) Has the Company compiled statistics on greenhouse gas emissions, water consumption, and total volume of waste in the past two years, and formulated policies for greenhouse gas reduction, water consumption, or other waste management?	✓		<p><u>Greenhouse gas emissions</u></p> <p>In 2023, Regent Taipei has a total electricity consumption of 19,829,600 kWh and a gas consumption of 1,847,693 kWh. The increase in energy consumption compared to 2022 is mainly due to the fact that 2023 has shaken off the shadow of the COVID-19 pandemic. We continues to implement the energy-saving plan in daily operations to contribute to the prevention of global warming and air pollution.</p> <p>Greenhouse gas emissions in the past two years:</p>	No significant difference

Promoting items	Implementation Status			Discrepancies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons																
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			<table border="1"> <thead> <tr> <th>Classification</th> <th>Unit</th> <th>2023</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Scope 1 Direct emissions</td> <td>Tonnes CO2e</td> <td>3,506.883</td> <td>2,665.092</td> </tr> <tr> <td>Scope 2 Indirect emissions</td> <td>Tonnes CO2e</td> <td>9,942.313</td> <td>9,852.591</td> </tr> <tr> <td>Total</td> <td>Tonnes CO2e</td> <td>13,449.196</td> <td>12,517.683</td> </tr> </tbody> </table> <p><u>Water resource management</u>  In terms of water conservation policies, in addition to encouraging employees to implement energy-saving plans and policies, the Environmental Sustainability and Energy Management Team conducts regular workplace inspections to monitor water resource usage and assess water-saving performance. Routine inspections of water pipes, faucets, and toilets to detect and repair any leaks, as well as the installation of water-efficient sanitary fixtures with water-saving labels, are examples of active measures. Pressure reducing valves are also installed on water supply lines to ensure that the proper water supply is delivered to sanitary fixtures. The team also improves the reuse of recycled water from steam pipelines and water drained from swimming pools for chillers, which contributes to overall water conservation efforts. At the same time, the standard operating procedures for water resources risk control are established to monitor and manage the use of water resources .</p> <p>The hotels in our group continue to support the long-standing “Green Leaf Certificate” initiative, which encourages guests to prioritize environmental issues. To reduce water waste, the program discourages guests who stay multiple nights from replacing towels and bed linens on a daily basis. This long-standing energy conservation effort has proven highly effective, not only saving significant amounts of energy and cleaning agents, but also meeting energy and carbon reduction targets. More importantly, it has received widespread affirmation and support from guests, promoting sustainable tourism and demonstrating our commitment to environmental</p>	Classification	Unit	2023	2022	Scope 1 Direct emissions	Tonnes CO2e	3,506.883	2,665.092	Scope 2 Indirect emissions	Tonnes CO2e	9,942.313	9,852.591	Total	Tonnes CO2e	13,449.196	12,517.683	
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			<p>protection.</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Unit</th> <th>2023</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Water consumption</td> <td>KWh</td> <td>469,525</td> <td>408,154</td> </tr> </tbody> </table> <p><u>Waste management</u>  The waste generated while providing products and services is divided into four categories: general waste, food waste, recyclable waste, and waste cooking oil. Our waste management practices comply with the “Business Waste Storage and Disposal Methods” and the “Permit Management Methods for Public and Private Waste Disposal Institutions”, ensuring that all regulations are met. We meticulously sort daily waste and hold departmental workshops on waste reduction and recycling. The Food Service Department not only registers the weight of waste on a daily basis, but the results and effectiveness of waste reduction are also documented in meeting records to monitor and evaluate our environmental performance.  Waste is transported by qualified professional waste disposal operators registered with the government by category, and declared according to laws, in order to reduce the possible increase in the load on the environment and achieve the effect of resource reuse.  In 2023, the Company produced 1,487.72 tonnes of general waste, 414.80 tonnes of food waste, 158.91 tonnes of paper waste, 10.73 tonnes of bottles and cans, and 8.55 tonnes of waste edible oil.</p> <table border="1"> <thead> <tr> <th>Item</th> <th>General waste</th> <th>Leftover</th> <th>Recyclables (paper/bottles)</th> <th>Waste food oil</th> </tr> </thead> <tbody> <tr> <td>Recycling frequency</td> <td>Once a day</td> <td>Once a day</td> <td>Once a day</td> <td>Once a week</td> </tr> <tr> <td>2023 output/ton</td> <td>1,487.72</td> <td>414.80</td> <td>158.91/10.73</td> <td>8.550 tons</td> </tr> <tr> <td>2022 output/ton</td> <td>1,520.77</td> <td>380.88</td> <td>113.57/10.68</td> <td>8.226 tons</td> </tr> </tbody> </table>	Item	Unit	2023	2022	Water consumption	KWh	469,525	408,154	Item	General waste	Leftover	Recyclables (paper/bottles)	Waste food oil	Recycling frequency	Once a day	Once a day	Once a day	Once a week	2023 output/ton	1,487.72	414.80	158.91/10.73	8.550 tons	2022 output/ton	1,520.77	380.88	113.57/10.68	8.226 tons	
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Recycling frequency	Once a day	Once a day	Once a day	Once a week																												
2023 output/ton	1,487.72	414.80	158.91/10.73	8.550 tons																												
2022 output/ton	1,520.77	380.88	113.57/10.68	8.226 tons																												
IV. Social issues (l) Has the Company established relevant	✓		In order to fulfill corporate social responsibilities and protect and protect basic human rights, the Company supports and complies with the “Universal	No significant difference																												

Promoting items	Implementation Status			Discrepancies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
management policies and procedures in accordance with applicable laws and international conventions on human rights?			<p>Declaration of Human Rights”, “United Nations Global Compact” and “International Labor Convention” to respect and protect human rights. We have established a “Human Rights Policy” and published it on the Company’s website.</p> <p>The Company organizes a committee meeting on material issues, statistics, and questionnaires to review its operations, value chain, and other related activities every year to identify and assess risk groups and potential human rights risks, and to formulate human rights risk mitigation measures. We will continue to supervise and improve the results of the implementation of the plan.</p> <p>The summary of the Company’s human rights management policies and specific plans is as follows:  Provision of a safe and healthy work environment: Please refer to the “Working Environment and Personal Safety Protection Measures” section of Labor relations on page 102.  Assist employees in maintaining physical and mental health and work-life balance: Organize various professional development courses, such as nurturing professionals in the hotel and catering industry, special professional knowledge and skill training, English, Japanese, professional hair and make-up, diversified arts, financial concepts, health and wellness, spiritual upgrade, etc.  Prohibition of forced labor and compliance with local labor laws and regulations: Implementing the leave system to encourage employees to pay attention to work-life balance.  In 2023, the Company also organized human rights protection training for its employees , with a total of 5,365 participants and 11,217 hours of training.</p>	
(II) Does the Company establish and implement reasonable employee welfare measures (including remuneration, leave of absence, and other benefits), and appropriately reflect the business performance or results in the employee’s remuneration?	✓		<p>The Company’s Articles of Association stipulates that 5% of the profit should be allocated as employee remuneration. In addition to inspire colleagues to actively create company profits and reward employees’ efforts, the “Performance Bonus Policy” has been established. Performance bonus is calculated by multiplying the after-tax profit or loss by the bonus contribution rate. The reward and punishment system is combined for evaluation to encourage employees to perform well. Business performance or results are appropriately reflected in employee remuneration. Year-end bonus is paid based on the Company’s business performance and individual performance.</p>	No significant difference

Promoting items	Implementation Status			Discrepancies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>Employees are encouraged to join the shareholder committee meeting, which not only provides them with subsidies, but also benefits from bonus sharing with other shareholders, which helps employees accumulate wealth and plan for future retirement.</p> <p>The Company's relevant employee welfare measures (including leave and other benefits) are in compliance with laws and regulations, and various allowances are provided according to shifts and duties. nursing room facilities, maternity leave and maternity exam leave, parental leave without pay, discounts on childcare facilities, and other parent-friendly measures. In order to ensure the diversity and equality of the workplace, and realize equal pay and equal promotion opportunities for men and women, the ratio of men to women in management was 48:52 and that of management was 46:54 in FY2023.</p>	
(III) Does the Company provide employees with a safe and healthy work environment and provide employees with regular safety and health education?	✓		<p>The Company conducts regular numerical monitoring of the operating environment in accordance with laws, organizes annual employee health examinations, and conducts safety and health education on a regular basis. (See p. 102: Protection measures for work environment and personal safety)</p> <p>There were 24 occupational disasters in 2023. 24 employees to total employees: <math>24/994=2.41\%</math></p> <p>Related improvement measures: (No fire incident occurred in 2023, and no related improvement measures were taken.)</p> <ol style="list-style-type: none"> <li>1. Traffic accidents: In 2023, the number of accidents among employees' commuting to and from work has tended to decrease in 2023. The promotion of traffic safety precautions has been strengthened and employees are reminded to pay attention to the weather and road surface conditions to adjust the appropriate speed.</li> <li>2. Cutting injuries: When using blades or other cutting tools during the work period, colleagues should pay attention to the people, objects and objects around them to avoid cutting injuries. The storage and storage of blades should also be carefully. In addition, education and training courses on the operation and maintenance of meat slicers are provided for employees to familiarize and practice.</li> <li>3. Burns and scald injuries: Employees are prone to contact with high temperatures during operation because they cook or transport hot soup. Before beginning work, they should quickly survey the surroundings for</li> </ol>	No significant difference

Promoting items	Implementation Status			Discrepancies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			any impediments to the route. If there are any obstacles, they should be removed; otherwise, hot meals should be transported steadily and smoothly to the serving or dining area. During the period, if there is anyone temporarily intruding into the route, a warning shall be sounded to reduce the incidents of food overturning and scalding due to inattentiveness.	
(IV) Has the Company established effective career development training plans?	✓		<p>In response to future industry development trends, the Company actively invests resources to promote incubation programs and continue to improve service quality. The main pillars of our career development plan include talent recruitment, employee competency strengthening, and cultivation of future successors. In addition, the Company also gives full play to the advantages of the group and cooperates with the resources of its partner hotels, regularly hold large-scale recruitment activities and participate in government job fairs to attract talents from different backgrounds, including freshmen, second-time employees, and job transfers, to meet the diversified roles demand. In addition, through campus seminars, visits, and company-specific classes, we actively share professionalism and ethics in the workplace with supervisors in advance, and work with students to promote industry-academia cooperation, increase students' employment opportunities, and improve workplace adaptability.</p> <p>At the same time, the Company conducts diversified education and training courses, including physical courses such as coaching for supervisors, international etiquette taught by invited ambassadors, professional housekeeper training in the UK, labor safety and health, deciphering the trend of ChatGPT digital tools, basic services of catering, etc. This year, we further expanded our online learning offerings, including language courses in Chinese, English, Japanese, and Indonesian, training in 4DX execution skills, an introduction to Taiwan's Michelin 500 dishes, key points for Forbes evaluations, and unit SOP videos. These training courses not only emphasize professional knowledge, but also involve practical skills, which help to improve employees' competitiveness in the workplace and solidify their career development. In 2023, the number of participants in the career training was 3,276, and the total man-hours were 7,746 hours (not including the training for new recruits).</p>	No significant difference
(V) Does the Company comply with relevant laws and	✓		<u>Customer Health and Safety</u>	No significant

Promoting items	Implementation Status			Discrepancies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
international principles with regards to issues of customers' health, safety and privacy and marketing and labeling of products and services and stipulate relevant consumer or customer protection policies and complaint procedures?			<p>The Company has established a sound food safety control system, including food safety and sanitation practices, promotion of ingredient traceability management, avoidance of high-risk ingredients, the establishment of independent laboratories and outsourced inspections, and the implementation of raw material supplier management and audits. The catering department strictly enforces food hygiene management, and strictly controls the procurement, inspection, preparation, and serving of food in compliance with food safety policies and specifications.</p> <p>Food safety risk management is under the responsibility of the food safety management team. The team is led by the President and includes the health manager, food and beverage department supervisor, and executive chef. The "Standard Operating Procedures for Food Safety and Sanitation" stipulated by HACCP) is the control standard for self-management and internal audit. The HACCP control team is responsible for the implementation of food safety standard operating procedures and related management and supervision of the sanitary environment. Based on the HACCP principle, we analyze the hazards and important control points of the provided meals, and conduct real-time and effective monitoring to ensure food safety and to take the strictest control over the health and safety of our customers.</p> <p><u>Customer privacy</u></p> <p>The Company has established an information management team to implement the establishment and operation of customers' personal information protection management system and to implement the information security policy. In addition to improving various internal information security management mechanisms and regularly promoting information security and employee information security education and training, information security training courses are also used to raise employees' information security awareness and personal information laws and regulations. If the customer is at risk of hacking or fraud, the Company will take immediate countermeasures and improve related operating procedures to ensure customer privacy and personal information security.</p> <p><u>Marketing and Labeling</u></p> <p>The Company follows the Food Labeling and Advertising Management Regulations of the Food Sanitation Act, and requires customized retail</p>	difference



Promoting items	Implementation Status			Discrepancies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>products to be labeled with the traceable source, including the manufacturer's name, telephone number, and address. The telephone number and address shall be reported to the competent authority of the respective jurisdiction. All raw materials are purchased according to the date of purchase and labeled with the expiry date to facilitate tracking of suppliers and batch numbers of ingredients.</p> <p><u>Grievance Procedure</u>  In order to protect the rights and interests of consumers, the Company has set up the opinion section on its official website to provide an effective and complete channel for consumers to complain and communicate about the Company's products and services. Customers are also encouraged to scan the QR Code of the opinion questionnaire and ask for a stay or meal the valuable opinions received, and implement effective communication as the driving force for the Company to improve products and services.</p>	
(VI) Does the Company implement a supplier management policy that requires suppliers to comply with policies with respect to environmental protection, occupational safety and health or workers'/human rights issues, and what is the implementation status?	✓		<p>We strictly control the quality of our suppliers through supplier management and evaluation system. We strictly comply with relevant food safety laws and regulations, and require all suppliers to provide government-approved profit-seeking business registration or factory registration and food trade number and other legal documents, and the information is reviewed on a yearly basis. New suppliers need to sign the Supplier Guidelines, which contains supply regulations, CSR, integrity, social human rights and related clauses, and provide product inspection reports that meet the requirements for legal supply and product certification (including TQF, CAS, TAP, HACCP, ISO and other certifications), integrity management, and reputable suppliers can become the company's long-term partners and jointly commit to the goal of a sustainable supply chain.</p> <p>Regent's Taipei Main Branch evaluates the procurement department, the food health and safety department, and the catering department with the "Process and Quality Control Standard Operating Procedures" and the "Supplier Evaluation Record" are jointly responsible for the frequency of audits and the results of the assessment. We have also included sustainability issues in the assessment system, including labor rights, environmental protection, and sustainable resources. Suppliers who are rated as unqualified twice in a row, or who have violated social responsibilities or laws or have serious food safety concerns, will be</p>	No significant difference

Promoting items	Implementation Status			Discrepancies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			removed from the supplier list immediately after confirmation by the evaluation team, and the cooperation with the supplier will be terminated . Collaborate with suppliers and promote local economic development . There were no failed suppliers with a total score below 60 in the 2023 supplier assessment of Regent Taipei.	
V. Does the Company refer to international reporting rules or guidelines to publish Sustainability Report to disclose non-financial information of the Company? Does the preceding report obtain verification or opinions from a third-party authentication unit?	✓		Our company prepares the sustainability report in accordance with internationally recognized reporting standards or guidelines to disclose non-financial information. The report undergoes a limited assurance audit by PricewaterhouseCoopers (PwC) to obtain a third-party assurance statement. The results are disclosed in the appendix of the annual report, ensuring transparency and credibility in our sustainability efforts. The international standards adopted by the Company include: <ul style="list-style-type: none"> <li>• The GRI Standards proposed by the Global Reporting Initiative (GRI) ;</li> <li>• The “SASB” proposed by the non-profit sustainable accounting standards body “Sustainability Accounting Standards Board” ; and Task Force on Climate-related Financial Disclosures (TCFD ) of the Financial Stability Board ( FSB).</li> </ul>	No significant difference
VI. If the Company has established its own sustainability best practice principles in accordance with the “Practice Principles for Sustainable Development of TWSE/GTSM Listed Companies,” please describe the current practices and any deviations from the principles: The Company has established the “Sustainable Development Best Practice Principles.” to promote the fulfillment of various social responsibilities, and the actual operation is not materially different.				
VII. Other important information that helps in understanding the implementation status of promoting sustainable development: <u>Continued community charity</u> From 2016 onwards, Teppanyaki Chef Chun-Sheng Chen of ROBIN’S at Regent Taipei has participated in charity cooking activities at Hualien New Dawn Education and Nursing Institution for 8 consecutive years. A total of 115 volunteers, including well-known chefs and local organizations, participated in this year’s event. A total of 12 courses of 400 servings of high-end Seven Star cuisine were cooked in the event to provide warmth to the mentally handicapped. In addition to food sponsorship, the event was also supported by donations from businesses and individuals. We will also continue to adopt and be responsible for the maintenance of the plaza facilities at No. 4 Park in Zhongshan District, provide green space for the community, and add a festive atmosphere during festivals. The Company’s flagship hotel, Regent Taipei, adheres to the business philosophy of symbiosis and co-prosperity with the community, and held the off-site market event for the first time to demonstrate its commitment to sustainable development. Partnered with Taipei Rapid Transit Corporation to host a “Sustainable Charity Christmas Market” in Zhongshan District, which was named the “Coolest Neighborhood in the World 2023” by London’s “Time Out” magazine. The event featured a variety of festive foods and handmade experiences, as well as participation from several Michelin-starred chefs who demonstrated a dedication to quality ingredients and culinary skills. At the same time, we connected with our partners and suppliers to provide food ingredients and sponsor charity sales to echo the concept of green procurement and sustainable consumption. All proceeds from the event were donated to HSBC Children’s Foundation, as a demonstration of the Company’s active commitment to social responsibility and the core value of corporate sustainability. In addition, Silks Place Tainan, Silks Place Taroko, Wellspring by Silks, and Just				

Promoting items	Implementation Status			Discrepancies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
<p>Sleep has partnered with charitable organizations to organize a series of charitable events to give back to the underprivileged, and promote the spirit of co-existence and co-prosperity in the local community.</p> <p><u>Promoting a circular economy</u></p> <p>The circular economy promotes an economic and industrial system focused on the recovery and regeneration of resources. Of the United Nations' 17 Sustainable Development Goals (SDGs), 10 are closely related to natural resources. Implementing a circular economy is a key strategy for achieving these SDGs, as it emphasizes sustainable resource use, reduces waste, and fosters a more sustainable approach to production and consumption<sup>1</sup>. The Company is committed to a circular economy. In 2023, Regent Taipei officially launched the "Sustainable Table" project, using the cafeteria with the highest revenue in the museum, the "Brasserie" as a demonstration indicator, and three active measures were launched in 2023, including the introduction of the "AI food waste system", Modern technology helps reduce food waste; a "herb garden" has been built in the back garden of the restaurant to hold urban farmer activities and grow spices to create a friendly ecological environment. At the same time, the Company is also working with international celebrity chefs to launch "Leftover Food Program" to turn NG ingredients into delicious meals and actively implement the Sustainable Development Goals (SDGs) of the United Nations. We also launched the "EcoMeet Sustainability Meeting" project. The venue was equipped with no plastics, no single-use items, traceable food ingredients, reduced paper usage, and used local food ingredients. The event provided physical and mental health activities and urban travel tours, which brought physical and mental health benefits to the participants with a delightful experience. Silks Place Tainan worked with HIDEKAWA Soybean Products to reduce food waste and promote a sustainable circular economy through the use of okara to create delicious food. The company offers consumers healthy and delicious food options while also supporting the growth of local agriculture and public welfare programs.</p> <p><u>Sustainable Talent Strategy</u></p> <p>In 2023, the Company announced the "Sustainable Talent Strategy" and the "iGPS Workplace Navigation Map" project to provide a two-year learning and growth platform for the tourism and hotel industry. The programs include the "iDiscovery GPS" project, designed for new recruits, and the "iBreakthrough GPS" project, for those with three to five years of work experience. Participants may rotate among the three different locations or positions within 24 months to explore the direction of career development. Considering that generation Z will account for 40% of the working population by 2030, Regent Hotels Group uses the "iGPS workplace map" to attract young people into the workplace and provide diversified workplace experiences. Different brands have different styles. Participants can choose the job that suits them according to their personal preferences and accumulate rich experience.</p> <p>The Company adheres to the business philosophy of symbiosis and co-prosperity with the environment, cherishes food ingredients and respects animal rights. The Company promises to introduce cage-free eggs to all hotels under the Group in 2024, starting with Regents Taipei for the first time in 2024. Restaurants that actively respond to global initiatives for sustainability and fulfill our responsibilities as a global citizen by 2030.</p>				

(VI) Ethical corporate management practices and deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the causes thereof:

Indicator	Operations			Difference from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary	
<p>I. Establishment of Business Conduct and Ethics Policy and Implementation Measures</p> <p>(I) Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its business conduct and ethics policy and measures, and the commitment regarding implementation of such policy from the Board of Directors and the senior management team?</p> <p>(II) Whether the Company formulated an assessment mechanism for the risk of unethical conducts, regularly analyzes and evaluates the business activities with higher risks of unethical conducts within the business scope, and formulates the prevention plans against Measures to prevent the conducts specified in Paragraph 2, Article 7 of Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?</p> <p>(III) Whether the company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and complaint procedures, and periodically reviews and revises such policies?</p>	✓		<p>(I) The Company has formulated the “Best Practice Principles for Ethical Corporate Management” and “Code of Ethical Conduct” to regulate the matters needing attention when conducting business for all employees, including directors and managerial officers.</p> <p>(II) The Company has formulated the “Best Practice Principles for Ethical Corporate Management” and “Code of Ethical Conduct”, which contain relevant regulations on ethics and integrity, avoidance of conflicts of interest, and hospitality; establish a risk assessment mechanism against unethical practices, and organize relevant education and training from time to time or the test can be adopted to promote employee awareness and implement the ethical corporate management policy.</p> <p>(III) The Company has stipulated the “Regulations Governing the Code of Ethical Behaviors” with the clauses and the code of conduct regarding conflicts of interest, seeking of private gain, confidentiality, and fair trade, which are promoted via education to allow the full understanding and compliance of directors, managerial officers and employees.</p>	Compliance with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
<p>II. Ethic Management Practice</p> <p>(I) Does the company assess the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?</p>			<p>(I) The Company conducts business activities in a fair and transparent manner, and before conducting business transactions, it considers the legitimacy of its suppliers, travel agencies,</p>	Compliance with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed

Indicator	Operations			Difference from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary	
(II) Does the Company create a dedicated unit under the board of directors to promote corporate ethical management and regularly (at least once a year) report to the board of directors about the ethical management policy and implementation status of the prevention plan for misconduct?	✓		customers, or other business counterparts, and whether there is any record of dishonesty, and avoids contacting trading with a record of unethical practices. When entering into a contract with another party, the content should include the principle of good faith and a clause that the contract may be terminated or rescinded at any time if the counterparty engages in unethical practices. (II) The Human Resource Department is responsible for the planning, implementation and implementation of the ethical corporate management policy of the Company. The implementation status was reported to the Board of Directors on November 13, 2023.	Companies
(III) Does the company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?			(III) The Company has established the “Ethical Corporate Management Best Practice Principles” to prevent conflicts of interest and provide appropriate communication channels” (for example: telephone numbers and emails provided in the “stakeholder section” of the Company’s official site). In addition, the “Regulations Governing Procedure for Board of Directors Meetings” of the Company stipulates the recusal of interest for directors. If a director has a conflict of interest with himself or the corporate entity it represents, The director shall not participate in the discussion and voting when it is at risk of conflicting interests, and shall avoid any discussion or voting, and shall not exercise the voting right of other directors on behalf of other directors.	Compliance with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
(IV) Does the company establish an effective accounting system and internal control system for practical implementation of ethical corporate management, and is the system regularly	✓		(IV) The Company has established a sound accounting system and internal control system. Internal audits shall be conducted in accordance	

Indicator	Operations			Difference from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary	
<p>audited by the internal auditing unit, and does the unit propose relevant audit plans based on the assessment results of the risk of misconduct for auditing the implementation status of the prevention plan for misconduct, or entrusted to an accountant for auditing?</p> <p>(V) Does the company provide internal and external ethical conduct training programs on a regular basis?</p>			<p>with the internal audit plan and the internal audit implementation rules. If any material irregularity is found, the internal audit will immediately report to the Chairman and report to the Board of Directors.</p> <p>(V) The Company conducts managerial meetings to promote the ethical corporate management philosophy and regulations to employees and make them clearly understand the ethical corporate management philosophy and regulations. Education and training are also provided to new employees upon arrival to ensure that each new employee understands and abides by the principles. The Company arranges educational training for new recruits and makes relevant information available on the internal digital learning platform of the Company for easy reference at any time. In 2023, the Company provided 164 person-hours of education and training on integrity management courses, material insider information handling, and insider trading prevention for 328 employees.</p>	
<p>III. Implementation of Whistleblowing Procedures</p> <p>(I) Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?</p>	✓		<p>(I) The “Best-Practice Principles for Corporate Governance”, “Best Practice Principles for Ethical Corporate Management”, and “Procedure and Code of Conduct for Ethical Corporate Management” have established specific reporting policies to proactively prevent unethical practices. The Stakeholders section of the Company’s website provides an effective means of communication between employees, shareholders, stakeholders and outsiders, while a whistleblower protection system has been established. We protect the confidentiality of all information and protect</p>	Compliance with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies

Indicator	Operations			Difference from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary	
<p>(II) Does the company stipulate the standard operating procedures, the follow-up measures should be taken after the investigation and relevant confidentiality mechanism for the reported matters?</p> <p>(III) Does the company adopt proper measures to prevent a whistleblower from retaliation for his/her reporting?</p>			<p>whistleblowers from any mistreatment.</p> <p>(II)The Company has established standard procedures and confidentiality measures for handling reported misconducts.</p> <p>(III) The Company treats the reported cases in a confidential manner to ensure the confidentiality of the informants’ identities, so that the informants will not suffer undue treatment due to whistleblowing.</p>	
<p>IV. Enhanced Information Disclosure</p> <p>Does the company disclose its guidelines on business conduct and ethics as well as information about implementation of such guidelines on its website and Market Observation Post System (“MOPS”)?</p>	✓		<p>In addition to disclosing the content of the Ethical Corporate Management Best Practice Principles on the Company’s website and the Market Observation Post System, the Company also discloses related information such as assumed effectiveness in the annual report and sustainability report.</p>	<p>Compliance with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies</p>
<p>V. If the company has established its own ethical corporate management code of conduct in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies”, please describe the current practices and any deviations from the code of conduct: The “Ethical Corporate Management Best Practice Principles” establishes a corporate culture of ethical corporate management and serves as the basis for directors, managerial officers, and employees to abide by. There is no difference.</p>				
<p>VI. Other important information that is helpful to understand the operation of the Company’s ethical corporate management (such as the Company’s review and amendment of the ethical corporate management best practice principles established by the company):</p> <p>Operational Integrity: In order to establish a corporate culture of ethical management, the Company has formulated the “Best Practice Principles for Ethical Corporate Management” and the “Ethical Code of Conduct,” which are the responsibilities of all directors, managerial officers, and employees.</p>				

- (VII) If the Company has established Corporate Governance Best Practice Principles and related regulations, the methods of accessing them shall be disclosed:

Please visit the corporate governance section of the “Investor Relations” section of the Company’s website (<https://www.silkshotelgroup.com/tw/>) or the Market Observation Post System (<https://mops.twse.com.tw/>). See “Corporate Governance Regulations” under “Corporate Governance”.

- (VIII) Other information material to the understanding of the Company’s corporate governance: None.

- (IX) Implementation of internal control policies

1. Internal Control Statement

Formosa International Hotels Corporation

Declaration of Internal Control System

Date: March 11, 2024

The following declaration has been made based on the 2023 self-assessment of the Company’s internal control system:

- I. The Company acknowledges and understands that establishment, implementation and maintenance of the internal control system are the responsibility of the board and managers and that such a system has been implemented within the Company. The purpose of this system is to provide reasonable assurance in terms of business performance, efficiency (including profitability, performance, asset security, etc), reliable, timely and transparent financial reporting, and regulatory compliance.
- II. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably assure achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, internal control system of the Company features a self-monitoring mechanism that enables immediate rectification of deficiencies upon discovery.
- III. The Company evaluates the design and execution of its internal control system based on the criteria specified in “Regulations Governing Establishment of Internal Control Systems by Public Companies” (hereinafter referred to as “The Governing Principles”) to determine whether or not the existing policies continue to be effective. Assessment criteria introduced by “The Governing Principles” consisted of five main elements, each representing a different stage of internal control: 1. Control environment; 2. Risk evaluation and response; 3. Procedural control; 4. Information and communication; and 5. Supervision. Each element further encompasses several sub-elements. Please refer to “The Governing Principles” for more details.
- IV. The Company has adopted the abovementioned criteria to validate the effectiveness of its internal control system design and execution.
- V. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective as at December 31, 2023. This system (including the supervision and management of subsidiaries) has provided assurance with regards to the Company’s operational results, target accomplishments, reliability, timeliness and transparency of reported financial information, and its compliance with relevant laws.
- VI. This statement shall form an integral part of the Company’s annual report and prospectus and shall be disclosed to the public. Any illegal misrepresentation or concealment in the public statement above are subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This statement was approved by the Company’s Board of Directors on March 11, 2024.



Among the 9 directors present, 0 had objection, and the other agreed with the content herein.

Formosa International Hotels Corporation  
 Chairman: Steven Pan  
 President: Wei-Cheng Wu

2. If the internal control system is reviewed by a CPA on an ad hoc basis, the CPA's review report shall be disclosed: None.

(X) In the most recent year and up to the publication date of this annual report, the company and its internal personnel have been punished according to law, or the company's internal personnel have been punished for violating the internal control system, and the result of the punishment may have a significant impact on shareholders' equity or securities prices, details of penalties, major deficiencies, and improvements: None

(XI) Major resolutions reached in shareholders' meetings and board of directors meetings in the most recent year, up till the publication date of this annual report:

1. Shareholders' Meeting

Date of shareholders' meeting	Summary of important proposals	Implementation Status
2023.06.15	2022 Business Report and Financial Statements.	The proposal was approved as proposed.
	2022 Earnings Distribution Proposal.	The proposal was approved as proposed. The cash dividend was NT\$9.0073 per share and was distributed on July 13, 2023.
	Amendments to specific articles of the Rules of Procedure for Shareholders' Meetings.	The agenda was approved as proposed and implemented accordingly.

2. Board of Directors

Date	Major Resolutions of the Shareholders' Meetings
2023.03.20	<ul style="list-style-type: none"> <li>•Passed organizational adjustment.</li> <li>•Approved the change of supervisor.</li> <li>•Approved the 2022 business report and financial statements.</li> <li>•Approved the allocation of remuneration to employees and directors for 2022.</li> <li>•Passed 2022 earnings appropriation.</li> <li>•Passed distribution of cash dividends from earnings 2022.</li> <li>•Approved the change of CPAs appointed by the Company due to internal organizational adjustment.</li> <li>•Passed the appointment and remuneration of CPAs in 2023.</li> <li>•Approved the pre-approval of the CPAs and their firm to provide non-assurance services to the Company and its subsidiaries.</li> <li>•Passed amendments to partial provisions of the "Rules of Procedure for Shareholders' Meetings."</li> </ul>

Date	Major Resolutions of the Shareholders' Meetings
	<ul style="list-style-type: none"> <li>•Passed amendments to partial provisions of the “Corporate Governance Best-Practice Principles.”</li> <li>•Approved the convening of the Company’s 2023 General Shareholders’ Meeting.</li> <li>•Passed the issuance of the Company’s “Declaration of Internal Control System” 2022</li> </ul>
2023.05.08	<ul style="list-style-type: none"> <li>•Approved the change of supervisor.</li> <li>•Approved the motion for the adjustment of approval authority.</li> <li>•Passed the consolidated financial statement for the first quarter of 2023.</li> <li>•Approved the Company’s 2023 first quarter earnings appropriation.</li> <li>•Approved the Company’s application to the bank for the extension of the borrowing and guarantee amount.</li> <li>•Approved the motion to abolish the branch company.</li> </ul>
2023.08.11	<ul style="list-style-type: none"> <li>•Approved the change of supervisor.</li> <li>•Approved the motion for the adjustment of approval authority.</li> <li>•Passed the consolidated financial statement for the second quarter of 2023.</li> <li>•Approved the Company’s 2023 second quarter earnings appropriation.</li> <li>•Approved the Company’s application to the bank for the extension of the borrowing and guarantee amount.</li> </ul>
2023.11.13	<ul style="list-style-type: none"> <li>•Approved the change of supervisor.</li> <li>•Approved the consolidated financial statement for the third quarter of 2023.</li> <li>•Approved the Company’s 2023 third quarter earnings appropriation.</li> <li>•Approved the Company’s application to the bank for the extension of the borrowing and guarantee amount.</li> <li>•Approved the Company’s 2024 business plan and budget.</li> <li>•Approved the Company’s 2024 capital expenditure budget.</li> <li>•Approved the discussion of the remuneration of directors and managerial officers for the year 2024 by the Remuneration Committee of the Company.</li> <li>•Approved the establishment of the “Regulations Governing Financial Operations between Related Parties”.</li> <li>•Approved the Company’s 2024 annual audit plan.</li> </ul>
2024.03.11	<ul style="list-style-type: none"> <li>•Approved the change of supervisor.</li> <li>•Approved the 2023 business report and financial statements.</li> <li>•Approved the allocation of remuneration to employees and directors for 2023.</li> <li>•Passed 2022 earnings appropriation.</li> <li>•Passed distribution of cash dividends from earnings 2023.</li> <li>•Approved the evaluation on the independence and suitability of CPAs.</li> <li>•Approved the re-election of the Company’s 23rd Board of Directors.</li> <li>•Approved the convening of the Company’s 2024 General Shareholders’ Meeting.</li> <li>•Approved the proposal to establish a branch in preparation for the establishment of Wellspring by Silks Beitou.</li> <li>•Approved the motion of the Company’s financial officer and spokesperson.</li> <li>•Passed the issuance of the Company’s “Declaration of Internal Control System” in 2023</li> </ul>

(XII) In the most recent year, up until the publication date of this annual report, any director or supervisor who has a different opinion on the important

resolutions of the Board of Directors with documented or declared dissent:  
None

- (XIII) Resignation and dismissal of the Chairman, President, head of accounting, head of finance, head of internal audit, head of corporate governance, and head of R&D in the most recent year up till the publication date of this annual report:

April 15, 2024

Title	Name	On-board date	Date of resignation or dismissal	Summary of resignation or dismissal
Head of Finance and Spokesperson	Shang-Fei Wu	2022.07.01	2024.03.11	Resigned

## V. Information on professional fee of CPAs

### Information on professional fee of CPAs

(expressed in NT\$ thousand)

CPA Firm	Name of CPA	Audit Period	Audit Fee	Non-Audit Fee (Note)	Total	Remark
PwC Taiwan	Chin-Lien Huang	2023	4,920	310	5,230	
	Hsiu-Ling Li					

Note: Non-audit fees were NT\$310 thousand, of which NT\$300 thousand was CSR public fees and NT\$10 thousand was audited advances.

1. The CPA firm is changed and the audit fee paid in the fiscal year of the change is less than the audit fee paid in the previous year: Not applicable.
2. The audit fee is reduced by more than 10% from the previous year: Not applicable.

## VI. Information on change of CPAs: N/A.

## VII. The Company's Chairman, President, or any managerial officer in charge of finance or accounting affairs has worked in the accounting firm or any of its affiliated enterprises in the most recent year: None.

VIII. Changes in the transfer or pledge of shares by directors, managerial officers, and shareholders holding over 10% of the outstanding shares in the preceding year and by the date of report publication:

1. Changes in shareholdings of directors, supervisors, managerial officers, and major shareholders:

Title	Name	2023		As of April 15 of the current year	
		Increase (decrease) in shareholdings	Increase (decrease) in pledged shares	Increase (decrease) in shareholdings	Increase (decrease) in pledged shares
Corporate Director	Ching Cheng Investment Co., Ltd.	-	-	-	-
Corporate Director Representative	Chairman-Steven Pan	-	-	-	-
	Yi-Hui Chiang	-	-	-	-
	Rong-Wei Wang	-	-	-	-
	Ming-Yueh Lin	9,276	-	-	-
Corporate Director	Formosa International Development Corp.	-	-	-	-
Corporate Director Representative	Kong-Wen Li	-	-	-	-
	Chi-Shang Kao	-	-	-	-
Independent Director	Se-Chen Lai	-	-	-	-
Independent Director	Kuo-Chun Chang	-	-	-	-
Independent Director	Wen-Jie Wang	-	-	-	-
General Manager	Wei-Cheng Wu	(8,000)	-	-	-
General Manager	Hui-Fang Chen	-	-	-	-
General Manager	Jing-wen Li	-	-	-	-
Head of Finance Department	Wen-Yun Wang	-	-	-	-
Head of Accounting Department	Chien-Nan Tsao	-	-	-	-
Major shareholder	Nan Feng Hsing Enterprise Co., Ltd.	8,806,705	-	-	-

2. Information on share transfer: Not applicable.

3. Information on equity pledge: Not applicable.

## IX. Information of top ten shareholders with mutual relationship of related parties, spouse, or relatives in the 2nd degree:

Relationship among the top ten shareholders:

Unit: shares; April 15, 2024

Name	Principal's shareholding		Current shareholdings of spouse/minor children		Shareholdings in the name of a third party		Company Name/Name of related parties, spouse, or relatives in the 2nd degree to top ten shareholders	
	Number of shares	Ownership (%)	Number of shares	Ownership (%)	Number of shares	Ownership (%)	Name (or name of natural person)	Relationship
Nan Feng Hsing Enterprise Co., Ltd. Responsible person: Steven Pan	54,167,834 302,743	42.52% 0.24%	- -	- -	- -	- -	Ching Cheng Investment Co., Ltd. Formosa International Development Corp. Silks Investment Co., Ltd.	Same person in-charge Same person in-charge The person in charge is a relative of 2nd degree of kinship
Ching Cheng Investment Co., Ltd. Responsible person: Steven Pan	11,015,923 302,743	8.65% 0.24%	- -	- -	- -	- -	Nan Feng Hsing Enterprise Co., Ltd. Formosa International Development Corp. silks Investment Co., Ltd.	Same person in-charge Same person in-charge The person in charge is a relative of 2nd degree of kinship
Cathay Life Insurance Co., Ltd. Responsible person: Ming-Ho Hsiung	2,539,000	1.99%	-	-	-	-	-	-
Formosa International Development Corp. Responsible person: Steven Pan	2,351,222 302,743	1.85% 0.24%	- -	- -	- -	- -	Nan Feng Hsing Enterprise Co., Ltd. Ching Cheng Investment Co., Ltd. silks Investment Co., Ltd.	Same person in-charge Same person in-charge The person in charge is a relative of 2nd degree of kinship
Chang Hwa Commercial Bank, Ltd. in custody for Yuanta Taiwan High-yield Leading Company Fund A Investment Account	1,875,000	1.47%	-	-	-	-	-	-
New Labor Pension Fund	900,000	0.71%	-	-	-	-	-	-
Hua Nan Commercial Bank, Ltd. Responsible person: Yun-Peng Chang	896,000	0.70%	-	-	-	-	-	-
JPMorgan Chase Bank, Taipei Branch in custody for the Vanguard Total International Equity Index Fund, a series of Vanguard Star Funds	867,756	0.68%	-	-	-	-	-	-
Citibank Taiwan is entrusted for custody to Norges Bank	858,909	0.67%	-	-	-	-	-	-
Silks Investment Co., Ltd. Responsible person: Bi-Ching Pan	848,000 10,508	0.67% 0.01%	- -	- -	- -	- -	Nan Fung Hsing Enterprise Co., Ltd. Ching Sheng Investment Co., Ltd. Silks International Development Co., Ltd.	The person in charge is a relative of second degree of kinship

- X. The number of shares held by the Company, the Company's directors, supervisors, managerial officers, and enterprises directly or indirectly controlled by the Company in the same reinvestment business, and calculating the comprehensive shareholding ratio:

Comprehensive shareholding ratio

As of December 31, 2023; unit: thousand shares

Investment business (Note)	Shareholding of the Company		Shareholding of directors and supervisors, and managerial officers or investees under direct or indirect control		Syndicated shareholdings	
	Number of shares	Ownership held by the Company	Number of shares	Ownership held by the Company	Number of shares	Ownership held by the Company
Grand Formosa Taroko Hotel Corporation	24,898	55%	0	0	24,898	55%
SILKS INTERNATIONAL INVESTMENT INC.	-	100%	0	0	-	100%
Silks Palace At National Palace Museum	20,122	100%	0	0	20,122	100%
FIHC Property Management Corporation	1,000	50.01%	0	0	1,000	50.01%
SILKS GLOBAL HOLDING, LIMITED	11,839	100%	0	0	11,839	100%

Note: Long-term investment under equity method

## Four. Capital Raising

### I. Capital and shares:

#### (I) Source of capital stock

Unit: share/NT\$

Year Month	Issue price (par value per share)	Authorized capital		Paid-in Capital		Remark	
		Number of shares	Amount	Number of shares	Amount	Equity sources	Others
1976.07	\$ 10	22,770,000	\$227,700,000	7,800,000	\$78,000,000	Founding	None
1978.07	10	22,770,000	227,700,000	22,770,000	227,700,000	Capital increase in cash NT\$149,700,000	"
1979.05	10	37,150,000	371,500,000	32,117,000	321,170,000	Capital increase in cash NT\$93,470,000	"
1984.05	10	49,000,000	490,000,000	49,000,000	490,000,000	Capital increase in cash NT\$168,830,000	"
1984.12	10	50,000,000	500,000,000	50,000,000	500,000,000	Capital increase in cash NT\$10,000,000	"
1987.02	10	65,000,000	650,000,000	58,600,000	586,000,000	Capital increase in cash NT\$86,000,000	"
1988.09	10	120,000,000	1,200,000,000	120,000,000	1,200,000,000	Capital increase in cash NT\$614,000,000	Approved by the Securities and Exchange Commission with official letter (76) Tai-Cai-Cheng-(I)-Zi-01168 dated November 26, 1987
1990.08	10	200,000,000	2,000,000,000	200,000,000	2,000,000,000	Capital increase in cash NT\$800,000,000	Approved by the Securities and Exchange Commission with official letter (79) Tai-Cai-Cheng-(I)-Zi-32238 dated February 23, 1990
1995.09	10	250,000,000	2,500,000,000	250,000,000	2,500,000,000	Capitalization increase in earnings NT\$500,000,000	Approved by the Securities and Exchange Commission with official letter (84) Tai-Cai-Cheng-(I)-Zi-35982 dated June 17, 1995
1996.10	10	300,000,000	3,000,000,000	300,000,000	3,000,000,000	Capitalization increase in earnings NT\$500,000,000	Approved by the Securities and Exchange Commission with official letter (85) Tai-Cai-Cheng-(I)-Zi-53778 dated September 3, 1996
1997.09	10	500,000,000	5,000,000,000	375,000,000	3,750,000,000	Capitalization of earnings NT\$750,000,000	Approved by the Securities and Exchange Commission with official letter (86) Tai-Cai-Cheng-(I)-Zi-69705 dated August 9, 1997

Year Month	Issue price (par value per share)	Authorized capital		Paid-in Capital		Remark	
		Number of shares	Amount	Number of shares	Amount	Equity sources	Others
1998.05	10	500,000,000	5,000,000,000	431,250,000	4,312,500,000	Capitalization increase in earnings NT\$562,500,000	Approved by the Securities and Exchange Commission with official letter (87) Tai-Cai-Cheng-(I)-Zi-51378 dated June 12, 1998
2002.08	10	500,000,000	5,000,000,000	215,625,000	2,156,250,000	Decrease in cash NT\$2,156,250,000	Approved by Securities and Futures Commission in SFC with official letter(91)-Tai-Cai-Zheng-Yi-Zi-0910134002 dated August 20, 2002
2006.11	10	500,000,000	5,000,000,000	60,000,000	600,000,000	Decrease in cash NT\$1,556,250,000	Approved by the Securities and Futures Bureau with official letter Jin-Guan-Zheng-(1)-Zi-0950148220 dated November 21, 2006
2008.06	10	500,000,000	5,000,000,000	66,000,000	660,000,000	Capital increase in reserve transferred NT\$60,000,000	Effective upon official letter Jin-Guan-Zheng-Yi-Zi No. 0970032154 dated June 27, 2008 from Securities and Futures Bureau
2009.06	10	500,000,000	5,000,000,000	72,600,000	726,000,000	Capital increase in reserve transferred NT\$66,000,000	Effective upon official letter Jin-Guan-Zheng-Fa-Zi No. 0980031287 dated June 23, 2009 from Securities and Futures Bureau
2010.07	10	500,000,000	5,000,000,000	79,860,000	798,600,000	Capital increase in reserve transferred NT\$72,600,000	Effective upon official letter Jin-Guan-Zheng-Fa-Zi No. 0990036538 dated July 14, 2010 from Securities and Futures Bureau
2011.08	10	500,000,000	5,000,000,000	87,846,000	878,460,000	Capital increase in reserve transferred NT\$79,860,000	Effective upon official letter Jin-Guan-Zheng-Fa-Zi No. 1000036168 dated August 3, 2011 from the Securities and Futures Bureau
2012.08	10	500,000,000	5,000,000,000	96,630,600	966,306,000	Capital increase in reserve transferred NT\$87,846,000	Effective upon FSC official letter Jin-Guan-Zheng-Fa-Zi No. 1010034025 dated August 1, 2012
2013.07	10	500,000,000	5,000,000,000	106,293,660	1,062,936,600	Capital increase in reserve transferred NT\$96,630,600	Effective upon FSC official letter Jin-Guan-Zheng-Fa-Zi No. 1020028231 dated July 19, 2013
2014.07	10	500,000,000	5,000,000,000	116,923,026	1,169,230,260	Capital increase in reserve transferred NT\$106,293,660	Effective upon FSC official letter Jin-Guan-Zheng-Fa-Zi No. 1030026190 dated July 10, 2014
2015.07	10	500,000,000	5,000,000,000	126,745,769	1,267,457,690	Capital increase in reserve transferred NT\$98,227,430	Effective upon FSC official letter Jin-Guan-Zheng-Fa-Zi No. 1040027236 dated July 20, 2015



Year Month	Issue price (par value per share)	Authorized capital		Paid-in Capital		Remark	
		Number of shares	Amount	Number of shares	Amount	Equity sources	Others
2019.08	Corporate bond conversion price NT\$178.6	500,000,000	5,000,000,000	127,401,972	1,274,019,720	Capital increase in convertible bonds NT\$6,562,030	Approved by the Ministry of Economic Affairs with official letter Shushang-Zi No. 10801101460 dated August 6, 2019
2021.04	Corporate bond conversion price NT\$157.9	500,000,000	5,000,000,000	127,403,238	1,274,032,380	Capital increase in convertible bonds NT\$12,660	Approved by the Ministry of Economic Affairs with official letter Shushang-Zi No. 11001161150 dated October 7, 2021

Note: So far, no assets other than cash have been used to offset share payments.

Type of shares	Authorized capital			Remark
	Issued shares	Un-issued shares	Total	
Common stock	127,403,238	372,596,762	500,000,000	Listed share

Information on the general reporting system: None

## (II) Shareholder structure

April 15, 2024

Structure of shareholdings	Government Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign institutions and individuals	Total
	Amount					
Number of shareholders	2	29	116	18,631	131	18,909
Quantity of shareholdings	999,000	7,588,117	71,836,527	39,628,875	7,350,719	127,403,238
Ownership held by the Company	0.78%	5.96%	56.38%	31.11%	5.77%	100%

## (III) Diversification of shareholdings

April 15, 2024

Ranking of Shareholdings	Number of Shareholders	Quantity of shareholdings	Ownership held by the Company
1 - 999	8,380	1,484,966	1.17%
1,000 - 5,000	9,024	16,483,160	12.94%
5,001 - 10,000	848	6,517,202	5.12%
10,001 - 15,000	236	2,977,381	2.34%
15,001 - 20,000	111	2,039,596	1.60%
20,001 - 30,000	129	3,248,855	2.55%
30,001 - 40,000	52	1,855,237	1.46%
40,001 - 50,000	27	1,256,715	0.98%
50,001 - 100,000	47	3,122,883	2.45%
100,001 - 200,000	21	2,841,328	2.23%
200,001 - 400,000	17	4,900,526	3.84%
400,001 - 600,000	4	2,038,388	1.60%
600,001 - 800,000	1	635,357	0.50%
800,001-1,000,000	7	6,052,665	4.75%
1,000,001 and above	5	71,948,979	56.47%
Total	18,909	127,403,238	100.00%

Preferred shares: None

## (IV) List of major shareholders

April 15, 2024

Name of major shareholders	Shares	Quantity of shareholdings	Ownership held by the Company
Nan Feng Hsing Enterprise Co., Ltd.		54,167,834	42.52%
Ching Cheng Investment Co., Ltd.		11,015,923	8.65%
Cathay Life Insurance Company, Ltd.		2,539,000	1.99%
Formosa International Development Corp.		2,351,222	1.85%
Chang Hwa Commercial Bank, Ltd.in custody for Yuanta Taiwan High-yield Leading Company Fund Investment Account		1,875,000	1.47%
New Labor Pension Fund		900,000	0.71%
Hua Nan Commercial Bank Ltd.		896,000	0.70%
JPMorgan Chase Bank, Taipei Branch in custody for the Vanguard Total International Equity Index Fund, a series of Vanguard Star Funds		867,756	0.68%
Citibank Taiwan is entrusted for custody to Norges Bank		858,909	0.67%
Silks Investment Co., Ltd.		848,000	0.67%

(V) Information on the market price, net worth, earnings, and dividends per share in the most recent two years:

Item		Year		As of April 15 of 2024 (Note 8)	
		2022	2023		
Price per share (Note 1)	Highest	278.00	338.50	229.50	
	Lowest	143.00	188.00	203.00	
	Average	178.84	250.22	216.97	
Net worth per share (Note 2)	Before allocation	34.07	36.01	NA	
	After allocation	25.06	Not allocated yet		
Earning per share	Weighted average number of shares		127,403,238		127,403,238
	Earning per share (Note 3)	Before adjustment	7.09		11.11
		After adjustment	7.09		Not allocated yet
Dividend per share	Cash dividend		9.0073		Not allocated yet
	Stock grants	From retained earnings	-		-
		From capital reserve	-		-
	Accumulated unappropriated dividends (Note 4)		-		-
Analysis on return on investment	Price-earnings ratio (Note 5)		25.22		22.52
	Price-dividend ratio (Note 6)		19.86	Not allocated yet	
	Cash dividend yield (Note 7)		5.04	Not allocated yet	

\*After a capital increase or stock grant with retained earnings or capital reserve, disclose information regarding the reversely adjusted market price and cash dividends based on the number of shares granted.

Note 1: Disclose the highest and lowest market prices of ordinary shares in each year and calculate the average market price based on the transaction value and transaction volume in each year.

Note 2: Please refer to the number of outstanding shares at the end of the year and fill in according to the resolution of the Board of Directors or the shareholders' meeting of the following year.

Note 3: When reverse adjustment is required for stock grants, disclose the EPS before and after the adjustment.

Note 4: When the accumulation of undistributed dividends of the year until the year when there is profit for distribution is a condition for the issue of equity securities, disclose the undistributed dividends by the year of report publication.

Note 5: P/E Ratio = Average closing price per share over the year / earnings per share.

Note 6: Price/Dividend Ratio = Average closing price per share over the year / cash dividend per share.

Note 7: Cash Dividend Yield = Cash Dividend per Share / Average closing price per share over the year

Note 8: For fields of net value per share and earning per share, shall fill in information audited

(reviewed) by CPA in most recent quarter as of the date of report publication; and fill in information of the year as of the date of report publication, for the rest of the other fields.

(VI) Dividend policy and implementation

1. Dividend policy stipulated in the Articles of Association:

Earnings are allocated or deficits are covered at the end of each quarter. If there is earnings in the final settlement of the Company every quarter, before distributing the earnings, the tax payable shall be estimated and retained to make up the accumulated losses in accordance with the law, and 10% of the estimated retained employee and director remuneration shall be allocated as legal reserve; The special reserve shall be appropriated or reversed as required by law or as required by the competent authority. In the case of the Board of Directors' proposal for distribution of new shares, such proposal shall be resolved by the shareholders' meeting in accordance with the regulations; if the proposal is made in the form of cash, it shall be resolved by the Board of Directors for distribution.

If there is earnings for the annual settlement, they have to be allocated for tax payments and make up for the losses from past years. The remainder to be appropriated as follows:

- (1) Allocate 10% as legal reserve. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply.
- (2) When necessary, allocate or reversal of special reserve according to the laws and regulations.

If there are earnings, its balance plus the accumulated undistributed earnings from the previous quarter shall be proposed by the Board for its appropriation. When the distribution is in issuance of new shares, the proposal shall be resolved by the shareholders' meeting on the distribution. When distribution is in the form of cash, it must be resolved in a board meeting with more than two-thirds of the board present, voted in favor by more than half of attending directors, and reported in the upcoming shareholders' meeting.

In accordance with Article 241 of the Company Act, the Company shall allocate in whole or in parts the legal reserve and capital surplus according to the original shareholders proportion and when distributing new shares or cash, it shall proceed according to the preceding method

resolved for distribution.

The Company's lifecycle is in a stable growth stage and will observe the changes to the internal and external environment in search of sustainable operations and long term development. It will consider the company's future capital expense budget and needs while sustaining the stability of dividends distribution. During each quarter and every year when the Company distributes its cash dividends, it allocates more than 50% of the accumulated distributable earnings as shareholders bonus. Of which cash dividends must not be lower than 10% of the shareholders bonus.

2. Proposed distribution of dividends for 2023:

On March 11, 2024, the Board of Directors of the Company resolved to distribute the 2023 earnings, and distributed cash dividends of NT\$1,450,116,395 (NT\$11.3821 per share), and authorized the Chairman to set another dividend distribution base date for distribution of cash dividends.

- (VII) Impacts of the stock dividends proposed in the current shareholders' meeting on the Company's business performance and earnings per share:

Not applicable.

- (VIII) Remuneration to employees, directors and supervisors:

1. The percentage or range of remuneration to employees, directors, and supervisors stated in the Articles of Association: If the Company has a profit for the year, it shall allocate 5% as the remuneration to employees and no more than 0.5% of the remuneration to directors. If there is any accumulated deficit, reserve the amount to offset the deficit.
2. The basis for estimating the amount of remuneration to employees, directors, and supervisors, the basis for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment for any discrepancy between the actual distributed amount and the estimated amount:  
The Company's estimated remunerations for employees and directors are provided in accordance with the Articles of Incorporation. However, if the Board of Directors later resolves that the actual distribution amount differs from the estimated amount, it will be deemed as a change in accounting estimate and will be recognized as profit or loss in the year of actual distribution.
3. Distribution of remuneration approved by the Board of Directors:
  - (1) Employees' remuneration and directors'/supervisors' remuneration distributed in cash or shares:

Unit: NT\$ thousands

Item	Amount recognized as expense	Amount of distribution resolved by the Board of Directors	Differences	Distribution method
Employees' payroll and bonus payable	91,606	91,606	-	Cash
Remunerations of Directors	9,161	9,161	-	Cash

(2) The amount of employees' remuneration distributed in shares and their ratio to the after-tax income and the total amount of employees' remuneration as stated in the entity or individual financial statements for the current period: Not applicable.

4. Actual distribution of employees', directors' and supervisors' remuneration in the previous year:

Unit: NT\$ thousands

Item	Amount recognized as expense	Actual amount distributed	Differences
Employees' payroll and bonus payable	58,718	58,718	-
Remunerations of Directors	5,872	5,872	-

(IX) Shares repurchased by the Company: None.

II. Status of corporate bonds: None.

III. Processing of preferred shares: None.

IV. Overseas depository receipts: None.

V. Employee stock options and employee restricted shares: None.

VI. Mergers and acquisitions or transfer of shares of other companies to the issuance of new shares: None.

VII. Execution of capital utilization plan: None.

## Five. Operational Overview

### I. Business scope:

#### (I) Business scope:

##### 1. The Company's main business activities are as follows:

- (1) Management of international tourist hotels and general tourist hotels.
- (2) Operation of Chinese and western restaurants, coffee shops, night clubs, bars, conference rooms, laundries, gyms, saunas, shops (sales of daily necessities, books, cigarettes, flowers, handicrafts, souvenirs, etc.) and parking lots.
- (3) Hotel management consulting service.
- (4) Consultation, diagnosis, analysis and consultation for the management of various recreational and entertainment facilities.
- (5) All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

##### 2. Weight of business:

Item	Percentage in 2023 operating revenue
Food and beverage revenue	48.97%
Room revenue	37.02%
Technical service revenue	3.01%
Other service revenue	1.84%
Lease revenue	9.16%

##### 3. The Company's current products (services) and new products (services) planned to be developed:

A. F&B: Includes the following characteristic restaurants and bars, providing a variety of delicious cuisines and high-level service quality.

- (1) Mihan Honke: A collection of shabu-shabu, sukiyaki, and selected Japanese cuisines in one, with the decoration style of ancient

Kyoto, Japan, to create a Japanese cuisine feast full of Japanese style.

- (2) **azie:** Guests can listen to live music and enjoy innovative Chinese, Western, and Japanese à la carte cuisines in an elegant atmosphere.
- (3) **Brasserie:** The all-day sumptuous and exquisite buffet cuisine. Floor-to-ceiling windows with garden views making it possible to enjoy delicacies in one space.
- (4) **Emporio and Noble House:** Banquet and meeting venues designed in the form of a top-notch private guest house where guests can enjoy tailor-made feasts.
- (5) **Robin's Grill:** Simple cuisine that faithfully presents the authentic taste of top-grade beef, delicious seafood, and exquisite salad bar.
- (6) **Robin's Teppanyaki:** The delicacy of top-grade beef and fresh and tender seafood are elegantly presented under the skillful technique of teppanyaki.
- (7) **Gallery:** Surrounded by the grand views and melodious music, guests can enjoy a variety of beverages, bartending, and light meals while chatting or relaxing. It is a leisurely promenade where guests can rest in the midst of busy life.
- (8) **Silks House:** Serving authentic Cantonese cuisines, Hong Kong-style refreshments, unique decorations, and attentive service, it has naturally become a representative restaurant in Regent's hotels.
- (9) **Avance Gym and Health Club:** It integrates professional services and management of international standards, and provide guests, members and their families with top-class Chinese dining, meeting venues, health consultation, fitness, beauty salon, sauna, and swimming pool. It is an ideal place for high-ranking people to socialize and entertain.
- (10) **Conference rooms and banquet halls:** One large banquet hall and nine elegant and multi-functional conference halls are suitable for holding festive banquets or social events for 800 to 1,000 people. The lighting and video equipment are readily available.
- (11) **Room service:** 24-hour room service of dining.
- (12) **Spice Market:** The only Thai seafood buffet restaurant in Taiwan.



Located on the 4th floor of Hotel Indigo Taipei North, visitors can enjoy classic Thai cuisines with hot and sour flavors in a resort atmosphere.

- (13) Just Italian: Located on the 2nd floor of Just Sleep Taipei NTU, it offers sumptuous and exquisite western-style set menus, salads, and beverages to satisfy the needs and expectations of the five-star cuisine in Gongguan commercial district.
- (14) Mihan Jiaoxi: Located on the 11th floor of Wellsprings by Silks, featuring carefully selected local seafood in Yilan, hot spring vegetables unique to Lanyang, and exquisite cooking techniques of star chefs to create top-quality cuisines for customers' eyes and taste treats.

B. Guest rooms: There are 538 spacious and luxurious rooms, including 60 suites.

C. Wellspring SPA: There are ten spacious aromatherapy suites covering a large area. Attentive service is provided by the exclusive aromatherapists. It has won the World SPA Award for best hotel SPA in Taiwan for many years, providing five-star pampering services.

D. Other services and facilities:

- (1) Executive Floor (Executive) - With a small premium, guests can enjoy the advanced and complete facilities and services in this elegant and convenient club, including buffet breakfast, exclusive business center and service center, and free use of meeting rooms... and other VIP privileges to help travelers grasp business opportunities easily.
- (2) Limousine service - Limousine services are available at the airport and in various commercial or tourist areas.
- (3) Boutique shopping street - Regent Galleria of world-class brands are gathered here for visitors to enjoy shopping to the fullest.
- (4) Parking lots - 250 parking spaces in total.
- (5) Heated rooftop pool- A 20-meter-long outdoor pool exclusively used by tenants and club members.

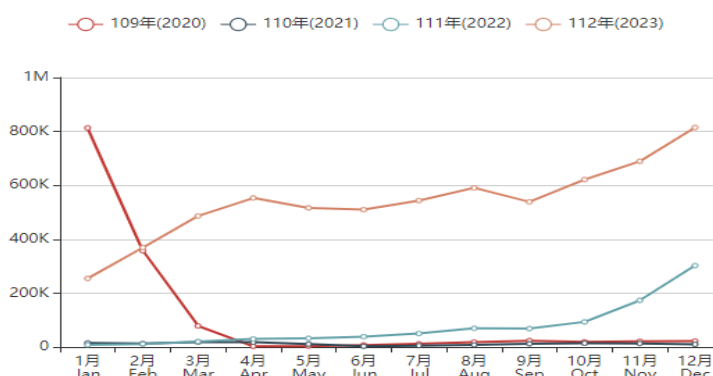
(II) Industry overview:

- 1. Status and development of the industry

In terms of the future trend of the industry, the main source markets for Regent's tourists in the past, Japan, South Korea, Europe and the United States, except Japan, have all returned to the "normal". Although the statistics show that the number of Japanese tourists to Taiwan is gradually decreasing, and the difference in the number of tourists compared to the pre-pandemic period is increasing, due to the impact of the depreciation of the Japanese Yen, the Japanese people's enthusiasm for going abroad has greatly decreased. For Regent's hotels, Japanese tourists are still the main source of nationality. South Korea has also been one of the most sought-after guest sources for Regent's services. In terms of marketing, we also arrange test stays for bloggers. We use the perspective of South Korean travelers to make marketing plans and adjust travel products and services based on their travel preferences. To enhance the experience and attract more visitors to Taiwan. "Time Out", a well-known British cultural publication, also announced the "40 Coolest Neighborhoods in the World" for 2023. Not only does Taipei Zhongshan District have traditional customs and characteristic architecture, but also full of entertainment culture, it has naturally become the coolest neighborhood in the eyes of foreigners. Regent Taipei will continue to use local resources and combine the in-depth development of tourism resources near shopping districts as a selling point to attract tourists.

## 來臺旅客人數 Inbound visitors

(單位:人次)(Unit:Persons)



### 112年1-12月累計

Visitor arrivals in  
January-December 2023  
**6,486,951**

### 112年12月小計

Visitor arrivals in  
December 2023  
**814,765**

Source: Tourism and Hotel Information System, Ministry of Transportation and Communications, Tourism Bureau

年度 Year	歷年來臺旅客按目的分 Visitor Arrivals by Purpose of Visit													單位:人次 Unit: Persons	
	合計 Total	業務 Business	觀光 Pleasure	探親 Visit Relatives	會議 Conference	求學 Study	工商考察 Commercial	業務與觀光 Business/ Pleasure	渡假 Vacation	展覽 Exhibition	醫療 Medical Treatment	其他 Others	未列明 Unstated		
108年 2019	11,864,105	746,115	8,444,024	478,220	76,308	80,630	-	-	-	18,320	55,937	1,964,551	-		
109年 2020	1,377,861	81,324	694,187	79,882	3,831	19,489	-	-	-	745	8,191	490,212	-		
110年 2021	140,479	11,937	156	6,542	102	7,644	-	-	-	29	808	113,261	-		
111年 2022	895,962	96,620	254,686	85,921	5,893	14,269	-	-	-	1,666	2,015	434,892	-		
112年 2023	6,486,951	435,743	4,316,832	368,437	41,130	43,557	-	-	-	19,943	12,280	1,249,029	-		

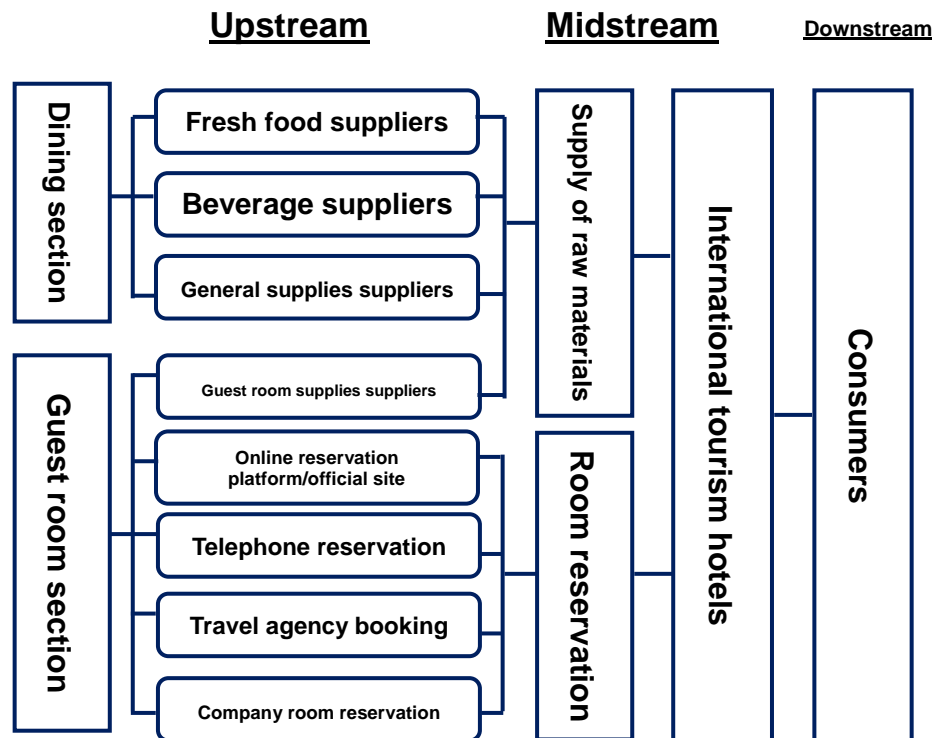
Source: Tourism and Hotel Information System, Ministry of Transportation and Communications, Tourism Bureau

## 2. Correlation among the up-stream, mid-stream and down-stream of the industry

The Company primarily operates international tourist hotels and provides dining, recreational and recreational facilities, meeting venues, and shopping services. In terms of the relevance of the overall tourist hotel industry, the Company belongs to the middle reaches of the industry. The Company's main operating income sources are catering and housing income. The catering part is to purchase fresh food, beverages, and general supplies from upstream suppliers and provide delicious delicacies to downstream end consumers such as individual customers or tour groups; and guest

rooms In some cases, the Company accepts online room reservations, individuals, travel agencies, or corporate groups, and purchases room related supplies from upstream suppliers to enable travelers to enjoy comfortable and high-quality housing services.

Correlation among the up-stream, mid-stream and down-stream of the industry



### 3. Product development trends and competition

After the pandemic, the best-selling housing products have been introduced to drive tourism among the locals; different products have developed into a huge database of family travelers, returnees, and high-end travelers with high unit price. Therefore, the following points can be summarized as the current development trend of products.

- 1) As consumers begin to value sustainability and environmental protection, hoteliers should avoid the use of single-use plastics and reduce food waste and non-essential consumption. Introduce new eco-friendly measures to achieve the implementation of sustainable tourism and promote global environmental protection.
- 2) Local Revitalization is full of stories. In addition to the application of digitalization and technology, it is also an excellent marketing entry point for the ecological environment, humanities and arts.

The stories of “Regional Revitalization” not only attract tourists but also have substantial tourist highlights. Combine the local culture and the Zhongshan business district, and then emphasize the support for social and cultural preservation and local economy.

- 3) Consumers have become accustomed to life being surrounded by technology. AI chatbots are used by customer service to optimize the reservation process; they can also speed up the room access process to improve the convenience of accommodation, and can also be used as an alternative to short-term housekeeping personnel shortage.
- 4) Integrate of F&B and banquet, Room Guest, Regent Galleria and Avance Club members into a complete set of information database. In addition to relaxation, travelers also want to pursue each experience to bring unique experience and value, and data will become an important basis for optimizing the traveler’s accommodation experience. Through data management and analysis, it is possible to further plan customized offers and promotions, and to automatically provide services similar to those used in the past.
- 5) The Rooms package products extended for the third year of the pandemic, the guest rooms on different floors are clearly targeted at various customer segments. In the future, we will continue to combine with local culture and different industries, such as the Greater Taipei City Year of the Dragon Shipping Circle in Taipei City/2024 Taipei Lantern Festival, the widely acclaimed discounts on Taiwan High Speed Rail and double-decker sightseeing buses, so that housing products are full of different to attract customers from different segments.
- 6) High-end brands expected to open in 2024: Park Hyatt Taipei/178 rooms, Andaz Taipei/243 rooms, Four Seasons Hotel Taipei/297 rooms, InterContinental Taipei/400 rooms, Capella Taipei /85 units, increasing the housing supply in Taipei City by about 1,203 units. In the future, it will drive another wave of market imbalance between supply and demand and price fluctuations. With the addition of other high-end brands, the Taipei City tourism market is bound to trigger a wave of market supply and demand and price fluctuations, and the reshuffle of talents.

(III) Technology and R&D overview:

The Company mainly operates international tourist hotels and provides dining, meeting venues, and shopping services. The Company emphasizes providing customers with comfortable and high-quality housing services and providing safe and delicious meals. The Company adheres to the spirit of product innovation, develops new customers By introducing new menus, the Company also makes good use of seasonal fresh ingredients and responds to the sustainable environment and the market trend of producing recovered ingredients to improve its dining operational capabilities. The Company's R&D expenses in 2023 are NT\$4,454,979.

(IV) Long-term and short-term business development plans:

Long-term plan:

1. Re-optimize the facilities and decoration of guest rooms, and increase the selling prices of guest rooms to achieve higher average room prices and maintain market leadership.
2. Formulate business training plans, improve business negotiation skills and sales strategies, and increase talent retention through training plans.
3. The Company maintains a good relationship with regional sales representatives within the IHG Group at home and abroad, and updates the latest information on Regent Taipei from time to time.

Short-term plans:

1. Formulate the annual marketing plan and plan the launch of projects with other industries and festivals in accordance with the schedule, and increase the diversity of the official website to attract different customers.
2. The Company actively participates in overseas international travel exhibitions and conferences organized by the Tourism Bureau/Tourist Association to maintain the visibility in overseas markets, continue the connection with overseas markets and brand awareness.
3. In order to reduce the risk of a slow recovery in the Japanese market (especially for groups), the Company has developed other overseas markets, focusing on Hong Kong and South Korea, which is also the first and second place in the most inbound tourists in 2023.
4. The demand for business trips or meetings that were postponed during the pandemic quickly returned. At the same time, due to

the higher airfares, some companies still mainly focus on Taiwan. Therefore, it is necessary to actively strive for incentive travel, annual medical meetings, and services and housing opportunities.

5. The multi-functional conference facilities will continue to be upgraded to provide better quality products and services and to enhance product competitiveness.
6. Implement the best discounts guaranteed through the official website, increase the proportion of guests booking on the official website, reduce OTA commission fees, and save commission expenses.

## II. Status of the market and production/sales

### (I) Market analysis:

#### 1. Major products and services sold and regions provided

The Company's business activities are mainly based on catering service income, rental income and technical service income. The target audience for the Company's provision of room service can be roughly divided into local tourists and foreign tourists. The sales method and the nationality of the customers in the last two years are as follows:

#### (1) Type of customers served by the Company in the most recent two years: (Guest room service)

Year	Contracted business travelers	Signed travel agency	Online booking/discounts for Singaporeans	Others	Total
2022	24%	11%	65%	0%	100%
2023	35%	15%	50%	0%	100%

Source: Data compiled by the Company

#### (2) The nationality distribution of foreign Chinese visitors in the most recent two years:

Year	Asia	Americas	Europe	Others	Total
2022	91.6%	3.0%	2.3%	3.1%	100%
2023	77.8%	11.2%	4.7%	6.3%	100%

Source: Data compiled by the Company

#### (3) The distribution ratio of the Company's visitors to Taipei in the most recent two years (from out of town):

Year	North District (North of Taoyuan)	Central	Southern District	Outer Islands	Total
2022	63%	20%	17%	0%	100%
2023	59%	20%	21%	0%	100%

Source: Data compiled by the Company

## 2. Market share

In the competitive landscape of five-star hotels in Taipei, alongside recognized competitors such as the Grand Hyatt Taipei, Far Eastern Hotel Taipei, Taipei Marriott Hotel, The Okura Prestige Taipei, W Taipei, and Sheraton Grand Taipei Hotel, our hotel ranked second in market share in 2023 (according to the STR Report). This performance maintained the level seen during the pandemic and marked a significant improvement from the fourth-place ranking before the pandemic (in 2019). With the downgrade of COVID-19 to an endemic level and the reopening of borders, the overall tourism industry has rebounded, with the Regent Taipei's annual average recovery surpassing 95% of the pre-pandemic levels. In fact, the revenue in the fourth quarter even exceeded pre-pandemic figures. Leveraging the advantages developed during the pandemic and the recovery in international arrivals, Regent Taipei has been aggressively targeting business travel and conference groups, achieving performance that surpasses pre-pandemic levels in these areas. This success demonstrates Regent Taipei's long-term brand management success and its effective transformation into a city resort hotel during the pandemic.

## 3. Future supply, demand and growth of the market

The Tourism Administration was officially launched on September 15, pledging to increase the number of international tourist arrivals to Taiwan to 12 million by 2024. According to the forecast of the Directorate-General of Budget, Accounting and Statistics, the annual economic growth rate in 2024 is expected to reach 3.08%. Taiwan's tourism market will move towards diversified, distinctive, smart and sustainable tourism. Diversified and characteristic itineraries will become the trend of tourism. Developing a high-end travel market not only attracts top-of-the-Pyramid travelers, it can also improve Taiwan's travel environment, improve its competitiveness with neighboring countries, and narrow the price gap of tourist hotels in other countries



after the pandemic. Develop new sightseeing spots or large-scale commercial events with the support of the government, strive for international conventions and exhibitions, and increase the necessity of visiting Taiwan.

4. Competitive niches and favorable and unfavorable factors for development prospects and countermeasures

(1) Competitive niche

The Company is located in the commercial center of the West District of Taipei, where internationally renowned boutiques are located next to each other. Recently, the British “Time Out” magazine selected the opinions of 12,000 people worldwide to create a list of the “40 Coolest Neighborhoods in the World“. In addition, the hotel has complete and comprehensive facilities and service functions, which is widely recognized by travelers around the world. We have been selected as one of the key staying places for government agencies to receive VIPs. Regent Galleria located in the hotel also utilizes the rich resources of the hotel to combine high-end shopping with dining, as well as housing and tourism, so as to provide top-notch fashion experience. Meanwhile, the convenient transportation network makes it easy for travelers to visit famous sightseeing spots. Whether for business, shopping, or recreation, it is the best choice for international travelers and locals alike.

(2) Favorable factors

- 1) IHG Hotels & Resorts forges cross-industry alliances to expand the source of high-unit price customers through its hotel reservation platform; and its regional sales departments to promote large convention and exhibition groups.
- 2) Selected as the annual guest room project of the Fine Hotel & Resorts Program (FHR) under American Express. Limited hotels are screened under strict criteria each year. The high-end travel program is only available for bookings with Platinum spending tier and above cardholders. These members with high spending power are located all over the world. By booking a room at a high price, staying in a hotel, and spending in the hotel at the same time, the overall income is increased.
- 3) Owning the international Regent brand, we will continue to pass on the spirit of the Regent brand and build Regent Taipei as the

flagship store to enhance the hotel's reputation and service standards to increase the recognition of the guests.

- 4) Taiwan's research and development and manufacturing capacities have been recognized by many multinational enterprises. Projects related to offshore wind power generation and semiconductors are being carried out one after another, and the related customer groups would on average stay in hotels for at least 5 days or longer, which would expand the market share among business travelers.
- 5) Continue to upgrade the hardware equipment of guest rooms, upgrade the standard of hotel facilities, and improve the overall average room rate of the hotel. "Cloudy Sky Balcony" and "Cloud Sky Corridor" have driven a wave of family market trends, becoming one of the few hotels in Taipei City that can provide four-person rooms. Continue the guest room optimization and upgrade project to provide visitors who love Regent Taipei with a brand-new accommodation experience.
- 6) Combine the Group's resources to integrate domestic and foreign sister hotels for joint marketing projects.
- 7) The first company to combine hotels, boutiques, dining and high-end shopping malls with the business model, leading the trend and differentiating the product market from other competitors.
- 8) "Time Out", a well-known British cultural publication, announced the "40 Coolest Neighborhoods in the World" in 2023. "Zhongshan District" in Taipei City" was also selected for its abundant entertainment, diverse cuisines, and various styles of architecture. Once again, we saw the enchanting urban atmosphere of Taiwan's capital. Located between Datong District and Xinyi District, where Taipei 101 stands, Zhongshan District tells a captivating story of Taipei's evolution. It was once a trading center along the Tamsui River, and today it has transformed into a bustling small metropolis lined with skyscrapers. Despite this modernization, the district still retains its colonial heritage. However, contemporary structures like the Fubon and Miramar Ferris Wheel now dominate the skyline, blending the old with the new in this dynamic urban landscape. This harmonious fusion allows visitors to explore traditional Japanese and Baroque architecture as well as contemporary

wonders. Zhongshan District also has a diverse range of cuisines: from ramen to spaghetti, and to Spicy Indian cuisine, the choices are endless. For those who love to eat Taiwanese stir-fry, the Section 1 of Chang'an East Road is a treasure trove not to be missed.

(3) Unfavorable factors

- 1) In the past three years and the next two years, international hotel chains (including Japanese brands and luxury high-end brands) have successively entered Taipei's tourist hotel market, which is bound to have an impact on the supply and demand of Taipei's tourism industry market.
- 2) The recovery of inbound travelers from Japan was not as good as expected due to the deregulation after the deregulation, and other hotels in the industry offered lower room rates than before to attract group travelers from Japan; our hotel is bound to acquire customers with flexible prices; this practice affects the increase of the average room rate.
- 3) Taiwan's visa issuance is prudent. People from Hong Kong and Macau are facing difficulties in coming to Taiwan, which reduces the number of business trips and sightseeing trips.

(4) Countermeasures

- 1) Through the overseas sales offices of IHG Hotels & Resorts, the interaction with overseas travel agencies/PR agencies/company offices will be strengthened to increase MICE and annual contract company business.
- 2) The online room reservation platform enables fast room reservation and allows rooms to be opened and price adjusted flexibly in line with market supply and demand. The cooperation of Rakuten Travel, HIS, and Expedia in the Japanese market is still the opportunity to increase the overseas independent travel market. JTB has also transformed its printed travel guide into an online booking website, which is bound to attract more people who use the Internet to book rooms.
- 3) Actively maintain and stabilize customer relations in the Japanese market and local business contact in Japan. Meanwhile, the Company will flexibly adjust the quantity and price of busy days to increase its revenue from rooms.

- 4) In line with government policies, the Company will explore markets in Southeast Asia, New Zealand, and Australia to build partnerships with local travel agencies.
- 5) Form alliances with credit card companies, airlines, and famous boutiques to offer discounts on accommodation, dining, or flight + Hotel package tours to increase hotel exposure and sales channels.
- 6) Integrate the brand marketing resources of the hotel and Regent Galleria, increase the utilization rate of brand events or exhibitions in the guest rooms, and thereby increase the average room rate.
- 7) By establishing a secure cloud-based system database, data will become an important basis for optimizing the traveler's accommodation experience. Through data management and analysis, it is possible to further plan customized offers and promotions, and to automatically provide services similar to those used in the past.
- 8) The long-term cooperation with the tour series of travel agencies in South Korea and Hong Kong, the designated accommodation can not only precisely control the room volume, but also increase the brand's exposure in the local market.
- 9) Continue annual appreciation events to maintain good interaction with customers and to attract more reservations.
- 10) Advertising on the Global Reservation System to attract more overseas visitors.

(II) Important uses of the main products and production processes:

The Company's main product management methods are guest room rental, supply of food and beverage, and provision of conference halls and saunas and other related facilities, all of which aim to maximize customer satisfaction.

(III) Supply situation of major raw materials:

The Company mainly engages in guest room rental and catering services, and the supplies of its main raw materials, consumer supplies and fresh food, are stable.

(IV) Names of customers accounting for more than 10% of total purchases (sales) in any of the past two years, and the reasons for the changes:

The Company's purchase/sales targets are quite dispersed, and there were no suppliers that accounted for more than 10% of the total purchase/sales in the most recent two years.

(V) Production value in the most recent two years:

The Company is mainly engaged in the business of renting guest rooms and catering services. Since it is not a general manufacturing industry, there is no data on the output and sales value. Therefore, only the service items are listed in the output value table for the most recent two years and explained as follows:

Production volume and value for the most recent two years

Unit: NT\$ thousands

Major products	Year	2022		2023	
		Production volume	Value	Production volume	Value
Food and beverage cost	-	-	\$2,291,679	-	\$2,589,126
Rooms cost	-	-	1,191,652	-	1,352,479
Other costs	-	-	249,375	-	309,295
Total	-	-	\$3,732,706	-	\$4,250,900

(VI) Sales volume and value in the past two years:

The Company is mainly engaged in the business of renting guest rooms and catering services. Since it is not a general manufacturing industry and there is no data on the production and sales value, only the service items are listed in the major sales value table in the last two years and the description is as follows:

Sales volume and value in the most recent two years

Unit: NT\$ thousands

Major products	Year	2022		2023	
		Amount	Value	Amount	Value
Food and beverage revenue	-	\$2,871,215	-	\$3,299,614	
Rooms revenue	-	1,895,224	-	2,575,227	
Other non-interest income	-	830,884	-	890,201	
Total	-	\$5,597,323	-	\$6,765,042	

### III. Employees

Employee data for the most recent two years and up to the publication date of this annual report

April 15, 2024

Year		2022	2023	As of April 15, 2024
Number of employees	Rooms department	590	630	625
	Food and beverage department	934	981	922
	Administration	383	385	395
	Total	1907	1996	1942
Average age		34.76	34.76	34.63
Average years of service		5.47	5.47	5.59
Distribution by academic qualification	Doctorate	0.05%	0.05%	0.05%
	Master	3.05%	3.26%	3.4%
	Associate/ Bachelor Degree	67.37%	69.34%	67.77%
	High School Diploma	24.22%	22.68%	23.62%
	Below High School	5.31%	4.67%	5.16%

Source: Statistical research conducted in-house (excluding part-time employees)

## IV. Environmental expenditures

Losses due to environmental pollution in the most recent year and up to the publication date of this annual report: There is no such situation. Considering that provisions of accommodations and F&B are our primary products and services, no severe environmental pollution issues were reported as a result. Cooking emissions from restaurant operations are only released after being filtered through electrostatic precipitators and kitchen exhaust treatment systems, in order to prevent negative impact on the surrounding residents or the environment. Moreover, the waste water generated has also been filtered through an oil trap then recollected to eliminate polluting the sewer systems. Legal manufacturing-designated maintenance and deodorization are routinely performed on the oil trap and septic tank residue.

## V. Employee Relations

- (I) Policies and actual implementation with regards to employee benefits, continuous professional development, on-the-job training, retirement, and employee relations:
  1. Our employees are our greatest asset. Employee rights and benefits are and will continue to be of significant importance to us because we believe that a company's profitability is contingent on employee loyalty and team cohesion. In addition to handling labor and health insurance and establishing Employee Welfare Committee in accordance with government regulations, we have established Employee Stock Ownership Trust with Employee Welfare Committee allocating subsidies proportionate to the amount of shares owned in order to incentivize employees to save and invest. Along with annual employee outings, staff lounges, library, infirmary, and dormitories are provided for employees to rest between shifts or overnight.
  2. Training and development  
We are committed to improving the core capabilities and professional qualities of our employees, and promote career development with the philosophy of "learning, sharing, and creating together". We not only provide colleagues with workplace, professional knowledge and skills training, but also plan related courses for learning and growth outside

of work, so that colleagues can have a deeper understanding and practice of “bringing the world into Taiwan and bringing Taiwan to the world” Company mission. This culture not only condenses the team, but also cultivates more collaborative and creative professionals. The new recruit training course continues the online course “Procedures for Ethical Corporate Management and Handling Material Inside Information” for new employees. In addition to the educational promotion on insider trading prevention, the course content includes the definition of the scope of material insider information, confidentiality, handling of abnormal situations, and ethical management. and prevention of insider trading. Examinations were also conducted to ensure that each employee understands and abides by the relevant information.

This year, the Company further expanded the scope of training, providing a coaching leadership course for supervisors, inviting international Ambassadors to teach etiquette in person, several professional digital colleagues to explain the skills of using ChatGPT, and a professional butler from the UK, conducting a one-week and fully English-taught training, in addition, we also invited Ukai Group's tofu and teppanyaki women, who are Japan's top service indicators, to impart detailed and considerate service experience, and set up a basic catering service course for new employees, covering pouring, serving food trays, and understanding of drinks. These diverse training courses not only help employees develop at all levels, but also improve their professionalism at work, ensuring that the Company has a more competitive talent team with diverse skills. The types of education and training courses include orientation for new employees, management courses, language training, labor safety, food safety, professional growth, etc. The descriptions are as follows:

- (1) Orientation for new recruits: including pre-employment training, service philosophy and culture, unlawful violation in the workplace, ethical management, and internal and material information processing.
- (2) Management training: management seminars, coaching leadership, training of execution, human resources, etc.
- (3) Labor occupational safety courses: including CPR&AED, fire safety, food hygiene and safety, labor safety, and sharing of



occupational injury cases for unit trainers.

- (4) Professional growth: System operation procedure for temporary workers, learning etiquette with the Ambassador, Demystifying ChatGPT: Exploring the mysteries of artificial dialogue, British housekeeper training, meditating on breathing, training of trainers, basic catering services, and beverage training.

Summary of trainings conducted in 2023:

Training Category	Number of Sessions	Hours of Training	Number of Participants	Total Training Hours	Ratio
Orientation	76	111	2089	3473	30.96%
Corporate Integrity Procedures and Guidelines	16	8	420	210	1.87%
Language training	12	48	187	748	6.67%
Corporate Social Responsibility	10	19.4	534	1047	9.33%
Specialized/technical knowledge and skills	29	169	367	1728	15.41%
Leadership and management	12	57.5	196	446	3.98%
Food safety	8	67	509	1162	10.36%
Employee safety	36	128.9	1063	2403	21.42%
Total	199	608.8	5365	11217	100%

3. Employee Conduct & Code of Ethics

- (1) In keeping with the Labor Standards Act, our employee handbook details code of conduct, employment, working hours, salary, leave/vacation days, rewards and penalties, tenure calculation, retirement, pension, etc. Such information is also made available to employees via the company intranet bulletin

and orientation.

- (2) All employees must read and sign the Employment Agreement on their first day, which details the conditions of employment and confidentiality agreement.
- (3) In accordance with the Sexual Harassment Prevention Act, lodging a sexual harassment complaint and investigation related information are clearly outlined to protect the rights of the victim as well as to ensure gender equality rights in the workplace.

4. Workplace and employee safety protective measures

To protect our employees from harm, our company's health and safety management continue to observe the following guidelines:

- (1) Management compliance: Comply with the government's safety and health laws and regulations, and implement various safety and health activities and management with risk management and assessment; continue to follow the requirements of ISO 45001 to establish an occupational safety and health management system that meets the needs of the library, and uphold the spirit of the management system. Continue to promote and improve to achieve continuous improvement of facility safety and health, and to exert self-management functions.

Current relevant safety and health certificates are as follows:

License	Holdings
Supervisor in charge of occupational safety and health affairs	1
Labor safety management specialist	1
Labor safety and health management staff	1
Operator of boilers	8
Supervisor in charge of organic solvent operations	3
Supervisor in charge of hypoxia operations	1

- (2) Participation in safety and health: Implement safety and health promotion and education and training to enable all employees to participate in safety and health activities, in order to achieve the goal of disaster reduction and mitigation; not only The

precautions are widely distributed to all employees, and relevant back-to-back training courses are arranged for employees to participate in improving safety awareness and the concept of disaster reduction and mitigation.

- (3) Continuous environmental improvement: In accordance to the Regulations on the Implementation of Monitoring of the Labor Working Environment, the workplace environment is routinely inspected, and inspection results are made available. The detection frequency is as follows:

Item	Inspection frequency
High-temperature operations (boiler operations)	Every 3 months
Noise operations (boiler operations)	Every 6 months
Organic solvents operations (painting operations)	Every 6 months
Carbon dioxide detection	Every 6 months

At the same time, the operating environment is monitored at other sites, and the safety and health management requirements are strengthened for supervisors and employees to comply. The test results in 2023 all meet the standard values and will continue to be monitored to ensure safety and maintain a good operating environment.

- (4) Health protection plan: A safe and healthy work environment is built to ensure sustainable development through the spirit of responsible care. Following the revision of the Occupational Safety and Health Law in recent years, Article 6 expressly requires business units to develop related health protection plans according to their nature and scale, including: maternity protection, overwork prevention, ergonomic engineering improvement, resumption of work and suitable work allocation, and unlawful violations in the workplace. and violence prevention. The main points of the implementation are as follows:
- a. Health protection plan are adjusted according to implementation requirements and announced.
  - b. Interviews for individual maternity protection cases and

- workplace provisions.
  - c. Working hours and paid leave actively managed to prevent overwork.
  - d. Workplace improvements and employee health protective measures.
  - e. Management and guidance during doctor's on-site consultation hours. (recorded for future reference).
  - f. Participate in an external professional team to inspect the repetitive operations performed by the hotel, and amend the results of the inspections to effectively reduce the musculoskeletal feeling of musculoskeletal work by colleagues.
  - g. The relevant monitoring systems are adjusted and set up based on the type of operation and risk characteristics, so that further video records can be obtained during labor operations.
- (5) Relevant measures during the severe COVID-19 pandemic:
- a. implement employee health monitoring plan and COVID cases tracking mechanism.
  - b. ensure employees who test positive stay home and rest.
  - c. allow for remote work.
  - d. make adjustments to the work area to allow for physical distancing; masks must be worn if physical distancing is not possible. Masks must be worn if social distancing cannot be maintained.
  - e. Reduce seating in staff cafeteria to maintain physical distancing; takeaways for administrative/back-office employees.
  - f. Cancel group activities during peak pandemic periods; change training to online.
  - g. Disseminate health and COVID related updates.
  - h. implement controls and temperature checks at employee entrance.
  - i. disinfect employee areas frequently.
  - j. provide government-subsidized COVID self-testing kits to high-risk employee.

## 5. Safe workplace

- (1) The infirmary's Main mission is to ensure all employees' physical and mental wellbeing, thereby creating an overall healthier workplace environment and culture and enhancing employee productivity and creativity. The infirmary is equipped with a contracted doctor (stationed on-site once a week) and a certified nurse to provide basic medical aid, medical consultations and referrals, etc.
- (2) Occupational medicine specialist and nurse visit once a month to provide consultations regarding:
  - 1) Employee health and hygiene related training
  - 2) Prevention and treatment of occupational and general injuries/diseases
  - 3) Employee vaccinations
  - 4) Employee suitability for certain types of work
  - 5) Evaluations and management of employee health check records
  - 6) Occupational health research and storage of injury/disease records
  - 7) Workplace improvements aimed at preventing occupational injuries/diseases
  - 8) Others designated by the central competent authority.
  - 9) Accompany labor health and safety officer to inspect the workplace and:
    - a. Identify and evaluate the dangers in the workplace environment and operations
    - b. Propose improvements to ensure workplace health and safety
    - c. Investigate the relationship between employee health and work operations, and conduct health risk assessments for high-risk employees and take necessary preventive measures
    - d. Assess returning employees for readiness to return to work, and provide advice and consultation accordingly
- (3) In keeping with government policies to encourage breastfeeding, nursing rooms are set up for employees to use.
- (4) To provide greater employment stability and minimize work-related accidents and health issues for older workers,

appropriate work equipment is made available and work processes improved.

(5) Diversity and gender equality: Gender-friendly restrooms are provided for employees in need.

#### 6. Collective bargaining agreement

As a member of the tourism industry, our company is subject to the Labor Standards Act concerning employee attendance, leave, days off, and holidays.

#### 7. Retirement policy

- (1) Applies to all full-time employees.
- (2) Eligibility for retirement (must meet one of the following):
  - A. tenure of 15 years or above and at least 55 years of age
  - B. tenure of 24 years or above
  - C. tenure of 10 years or above and at least 60 years of age
- (3) Employees may be compelled to retire under one of the following circumstances:
  - A. 65 years of age
  - B. declared medically unfit for work by an approved hospital
- (4) Pension payments:
  - A. For employees opting for the old pension system, pension is calculated as follows:
    - a. For every full year of service, two bases are given, up to 15 years. Hereafter, one base is given for each year of service, with a maximum limit of 45 bases.
    - b. For employees opting for the new pension system, pension is calculated as per monthly salary (average salary 6 months prior to retirement).
  - B. Under the new pension system, pension withdrawal and calculation are as follows:
    - a. Monthly pension withdrawals: The amount calculated from the principal and accumulated income of the employee's individual pension account with the average lifespan and interest rate in accordance with the annuity life table as the regular pension.

- b. One-time pension withdrawal: The one-time pension withdrawal of the principal and accumulated earnings from the Labor Individual Pension Account. The annuity life table, life average, and interest rate and amount calculations referred to above are prepared by the Bureau of Labor Insurance and submitted to the central competent authority for approval.
      - c. Employees aged 60 or above who have served for 15 years or more may claim monthly pension. However, those who have worked for less than 15 years shall apply for a lump sum of pension.
  - 8. Performance bonus policy: To boost employees productivity and, in turn, company profitability as well as to reward their hard work, performance bonuses are awarded at the end of the year to all employees.
- (II) Losses suffered by the Company due to labor disputes in the most recent year and up to the publication date of this annual report, and disclose the estimated losses that may occur currently and in the future and countermeasures:
- Disciplinary punishment incidents in 2023: This case was for Formosa International Hotels Corporation, for violation of Paragraph 2, Article 24 and Paragraph 1, Article 36 of the Labor Standards Act; date of penalty: February 8, 2023; Article No. : Fu-Lao-Dong-Zi No. 11260080221; Contents of violation: Failure to pay wages for work on rest days; failure to give workers 2 rest days in every 7 days, of which 1 day is a leave and the 1st day is a rest day. The amount of the fine: NT\$350,000.
- After the incident, the Company continued to actively strengthen the education and training of supervisors and employees, so that both parties can understand and correctly act in accordance with the labor standards laws and regulations, hoping to create a harmonious labor relationship.

## VI. Cyber security management

- (I) Describe the IT security risk management framework, IT security policies, specific management plans, and resources invested in IT

security.

1. Cyber communication security risk management framework

The Data Processing Department is responsible for the information security of the Company. It is responsible for planning, executing, and promoting information security management matters and promoting information security awareness. The Audit Office is the audit unit of information security supervision. If deficiencies are discovered during the audit, the Audit Office shall immediately request the audited unit to propose relevant improvement plans, and the improvement results are regularly tracked to reduce internal information security risks.

In adherence to the “Regulations Governing Establishment of Internal Control Systems by Public Companies” issued by the Financial Supervisory Commission (FSC) in 2023, the Company has implemented an internal control system. A security officer and one security personnel have been designated with the responsibility of conducting routine evaluations and developing information security policies in accordance with the “Information Security Control Guidelines for Listed and OTC Companies.” Consistent updates are provided to the Board of Directors in an effort to fortify the information security of the Company.

2. Cyber security policy

- Establish information system classification and protection standards to maintain the sustainable operation of each information system.
- Prevent hackers and various viruses from invading and destroying.
- Prevent the leakage of sensitive data with improper intentions by human beings.
- Conduct an internal information security audit once a year.
- Establish an appropriate backup mechanism and plan, and formulate a business continuity plan, including core business backup measures, contingency procedures, and resource allocation.
- Establish appropriate management measures for the security control, personnel access control, environmental maintenance and other items of the computer room and important areas.

3. Information communication security management plan and



resources invested in information communication security

(1) Security management of computer equipment

- The Company's computer mainframes and various application servers are installed in dedicated computer rooms, and access records are kept for records.
- The computer room is equipped with independent air-conditioning to maintain the operation of computer equipment under an appropriate temperature environment. Chemical-type fire extinguishers are also installed. These fire extinguishers are suitable for fires caused by general or electrical appliances.
- The equipment room is equipped with an environmental monitoring system to monitor the temperature and humidity of the equipment room. If there is an abnormality, the system will automatically notify the relevant personnel.
- The mainframe in the computer room is equipped with UPS and stabilized voltage equipment to prevent the system from crashing due to unexpected instantaneous power failure. An emergency generator is also provided to ensure the normal operation of the computer system in the event of a temporary power outage.

(2) Network security management

- The entrance to the external network is equipped with an enterprise-class firewall to prevent illegal invasion by hackers.
- Equipped with online behavior management and filtering equipment to control Internet access, which can block access to harmful or policy-not-allowed network addresses and content, enhance network security, and prevent bandwidth resources from being improperly occupied.

(3) Virus protection and management

- Servers and colleague's terminal computers are equipped with endpoint protection software. The virus pattern is updated automatically to ensure that it can block the latest types of viruses. At the same time, it can detect and prevent the installation of potentially threatening system executable files.
- The e-mail server is equipped with anti-virus and spam filtering mechanisms to prevent viruses or spam from entering the user's PC.

(4) Management of system access control

- Employees need to go through the system permission application process defined internally by the Company. Once approved by the responsible manager, the Information Room will create a system account and authorize the functions and permissions appropriately.
- The password for the account number shall be composed of appropriate number of characters and mixed with special symbols.
- When an employee is dismissed (offered), the Information Office will perform each system based on the notice of dismissal to delete the accounts.
- Regularly review user accounts and permissions, and suspend accounts that have not been used for a long time.

(5) Ensure the sustainable operation of the system

- System backup: Establish an off-site backup system and adopt a daily backup mechanism to ensure the safety of backed up data.
- Disaster recovery drill: Each system is rehearsed once a year. After the restoration date and reference point is selected, the backup media will be restored to the system mainframe, and the correctness of the restored data will be confirmed to ensure the correctness and effectiveness of the backup media.

(6) Information system or service outsourcing management

- Establishment of security management procedures for information outsourcing, including the relevant regulations on the selection of external contractors, supervision and management, and the termination of outsourcing relations, to ensure that outsourcing vendors have comprehensive information security management measures when performing outsourced operations.
- Define the information security responsibilities and confidentiality requirements of outsourced companies, and specify the service level agreement (SLA), information security requirements, and information security audit rights over the outsourced companies in procurement documents.
- When the Company terminates or terminates the contract, the Company confirms that the data held by the outsourcer is returned, transferred, deleted or destroyed.

(7) Information security advocacy and training

- Information security training: Conduct monthly information security training for new employees to establish basic information security

concepts.

- Information security advocacy: Examples of information security are provided to colleagues for reference from time to time.

(II) In the most recent year and up till the publication date of this annual report, if it is impossible to reasonably estimate the losses suffered due to major IT security incidents, the possible impacts and the countermeasures, please explain the facts: None.

## VII. Important contract

April 15, 2024

Type of Contract	Client	Contract Term	Description	Limitations
Creation of surface rights contract	Taipei City Government	From May 11, 1984 to May 10, 2034	The Company shall pay the rent to the Taipei City Government at a certain percentage of the announced land value each year. If the agreed rent is less than the amount of land tax paid by the Taipei City Government, the rent shall be adjusted based on the actual amount of land tax paid each year.	Upon the expiry of the contract, the Company shall not demolish the fixtures attached to the building at will, and shall unconditionally turn over the premises together with the fixtures to the Taipei City Government.
Technical services, entrusted management, and affiliation contracts	RONG CHIANG INTERNATIONAL LTD.	Starting from the date of official opening of the hotel onwards for 20 years	<ol style="list-style-type: none"> <li>Subject matter of contract: Silks Place Yilan</li> <li>Calculation and collection of service fees: Calculate a certain percentage of the operation revenue on a monthly basis</li> </ol>	None
Technical services, entrusted management, and affiliation contracts	YUI-MOM SILKS CLUB CO., LTD.	Starting from the date of official opening of the hotel onwards for 20 years	<ol style="list-style-type: none"> <li>Subject matter of contract: Silks Club</li> <li>Calculation and collection of service fees: Calculate a certain percentage of the operation revenue on a monthly basis</li> </ol>	None
Technical services, entrusted management, and affiliation contracts	YBH INTERNATIONAL LTD.	Starting from the date of official opening of the hotel onwards for 20 years	<ol style="list-style-type: none"> <li>Subject matter of contract: Just Sleep Kaohsiung (Zhanqian Branch)</li> <li>Calculation and collection of service fees: Calculate a certain percentage of the operation revenue on a monthly basis</li> </ol>	None
Technical services, entrusted management, and affiliation contracts	YBH INTERNATIONAL LTD.	Starting from the date of official opening of the hotel onwards for 20 years	<ol style="list-style-type: none"> <li>Subject matter of contract: Just Sleep Kaohsiung (Chung Cheng Branch)</li> <li>Calculation and collection of service fees: Calculate a certain percentage of the operation revenue on a monthly basis</li> </ol>	None
Technical services, entrusted management, and affiliation contracts	YBH INTERNATIONAL LTD.	Starting from the date of official opening of the hotel onwards for 20 years	<ol style="list-style-type: none"> <li>Subject matter of contract: Just Sleep Hualien</li> <li>Calculation and collection of service fees: Calculate a certain percentage of the operation revenue on a monthly basis</li> </ol>	None
Technical services, entrusted management, and affiliation contracts	YUEZAK HOSPITALITY MANAGEMENT CO., LTD.	Starting from the date of official opening of the hotel onwards for 20 years	<ol style="list-style-type: none"> <li>Subject matter of the contract: Just Sleep Sanchong Branch</li> <li>Calculation and collection of service fees: Calculate a certain percentage of the operation revenue on a monthly basis</li> </ol>	None

Type of Contract	Client	Contract Term	Description	Limitations
Technical services, entrusted management, and affiliation contracts	HOYA HOTEL CO., LTD.	Starting from the date of official opening of the hotel onwards for 20 years	1. Subject matter of the contract: Just Sleep Tainan Branch 2. Calculation and collection of service fees: Calculate a certain percentage of the operation revenue on a monthly basis	None
Technical services, entrusted management, and affiliation contracts	MINATO CREATE CO., LTD.	Starting from the date of official opening of the hotel onwards for 10 years	1. Subject matter of contract: JUST SLEETP OSAKA 2. Calculation and collection of service fees: Calculate a certain percentage of the operation revenue on a monthly basis	None
Technical services, entrusted management, and affiliation contracts	Hungmao International Development Co., Ltd.	Preparation period	1. Subject matter of the contract: Just Sleep Kenting Branch 2. Calculation and collection of service fees: Collect service revenue based on preparation progress	None
Technical services, entrusted management, and affiliation contracts	Eastern Home Shopping & Leisure Co., Ltd.	Preparation period	1. Subject matter of the contract: Silks X Linkou 2. Calculation and collection of service fees: Collect service revenue based on preparation progress	None
Technical services, entrusted management, and affiliation contracts	SET STUDIO PARK CO., LTD.	Preparation period	1. Subject matter of contract: Silks Place Taoyuan 2. Calculation and collection of service fees: Collect service revenue based on preparation progress	None
Technical services, entrusted management, and affiliation contracts	Eastern Ocean Hot Spring Hotel Co., Ltd.	Preparation period	1. Subject matter: Toucheng Wellspring by Silk 2. Calculation and collection of service fees: Collect service revenue based on preparation progress	None
Technical services, entrusted management, and affiliation contracts	Eastern Home Shopping & Leisure Co., Ltd.	Preparation period	1. Subject matter of the contract: Just Sleep Linkou 2. Calculation and collection of service fees: Collect service revenue based on preparation progress	None
Contract for outsourced operation and management	A	From January 16, 2013 to December 31, 2034, a total of 22 years	1. Subject matter of the contract: A hostel 2. Calculation and collection of service fees: From the trial operation date to the expiration of the commissioned operation period or the termination date of the contract, the company shall pay a fixed amount of premium on a monthly basis, and also pay a certain percentage of operating revenue as operating royalty.	None
Contract for renting shopping malls and operating hotels and restaurants	WANHWA ENTERPRISE COMPANY	From April 20, 2009 to April 19, 2027, 18 years	1. Lease subject matter: 5F-9F, Wan Hwa Enterprise Building 2. Calculation and collection of rent: Monthly payment of fixed rent, and an increase of 5% every 3 years	None

Type of Contract	Client	Contract Term	Description	Limitations
Contract for renting shopping malls and operating hotels and restaurants	Cathay Life Insurance	From March 12, 2014 to March 11, 2034, 20 years	<ol style="list-style-type: none"> <li>Subject matter of lease: Tainan Cathay Plaza</li> <li>Calculation and collection of rent: Monthly payment of fixed rent, from the 5th year an increase starting each year according to the contract</li> </ol>	None
Contract for renting shopping malls and operating hotels and restaurants	Company D	From November 1, 2013 to October 31, 2033, 20 years	<ol style="list-style-type: none"> <li>Subject matter of lease: No. 8 and No. 10, Lane 24, Deyang Road, Jiaoxi Township, Yilan County</li> <li>Calculation and collection of rent: Monthly payment of fixed rent, an increase of 3% starting from the fourth year for every three years. It is calculated by a certain percentage of one of the operating categories.</li> </ol>	None
Contract for renting shopping malls and operating hotels and restaurants	Company E	From December 1, 2015 to November 30, 2035, 20 years	<ol style="list-style-type: none"> <li>Subject matter of lease: No. 67, Wenquan Rd., Jiaoxi Township, Yilan County</li> <li>Calculation and collection of rent: Monthly payment of fixed rent, an increase of 3% starting from the fourth year for every three years. It is calculated by a certain percentage of one of the operating categories.</li> </ol>	None
Contract for renting shopping malls and operating hotels and restaurants	Company K	Starting from the date of rent (inclusive of the day), a total of 20 years	<ol style="list-style-type: none"> <li>Subject matter of the lease: Land numbers 471, 471-1, 498-1, 472, 472-1, Xinmin 2nd Section, Beitou District, Taipei City</li> <li>Calculation and collection of rent: Monthly payment of fixed rent, and an increase of 3% every 5 years</li> </ol>	None
Contract for renting shopping malls and operating hotels and restaurants	Company L	From August 31, 2022 to April 30, 2025, 2.6 years	<ol style="list-style-type: none"> <li>Lease subject matter: Magistrate Residence Living Centre 1F, Meals and Beverages Business Area and Kitchen Area</li> <li>Calculation and collection of rent: Calculation of rent is based on revenue, but guaranteed revenue shall be achieved.</li> </ol>	None
Lease contract	Uspace Tech Co., Ltd.	From August 1, 2023 to July 31, 2028, a total of 5 years	<ol style="list-style-type: none"> <li>Subject matter of lease: B4 and B5 of Regent Hotel</li> <li>Rent calculation and collection instructions: Monthly collection of fixed rent. When the lessee raises the parking fees, the rent shall be adjusted according to the proportion of the parking fee raised.</li> </ol>	None
Guaranteed line of credit	Taipei Fubon Bank	From November 6, 2008 to March 11, 2034	The Company established the five-star "Silk Place" at Tainan Landmark. Therefore, the Company signed a lease contract with Cathay Life and applied to Taipei Fubon Bank for a credit limit of NT\$43,912 as a performance guarantee.	None
Guaranteed line of credit	Mega International Commercial Bank	From September 20, 2012 to September 19, 2024	The Company signed an operation entrusted contract with A, and applied to Mega International Commercial Bank for a limit of NT\$10,000 as the performance guarantee as agreed in the contract.	None

Type of Contract	Client	Contract Term	Description	Limitations
Guaranteed line of credit	Mega International Commercial Bank	From November 6, 2020 to November 5, 2024	The Company signed a lease contract with K, and applied to Mega International Commercial Bank for a limit of NT\$26,965 as the performance guarantee as agreed in the contract.	None
Development and management contract and surface right creation contract	National Palace Museum	25 years from the date of signing the contract for the establishment of superficial rights. If the business performance is assessed to be good, the company may apply for priority entrustment of continued operation along with relevant information as required, but the continued operation period shall not exceed 10 years.	<p>Silks Palace participated in the "Private Participation in the Silks Palace At National Palace Museum Corp. Food and Beverage Service Center Plan." Silks Palace, thus, has signed and entered into agreement with the National Palace Museum on developing operations and the setting up of superficies</p> <p>A. Development royalties: The payment shall be made in a lump sum 7 days before the construction start date of each investment project specified in the execution plan of the Forbidden City.</p> <p>B. Management royalty: After the operation begins, the royalty is calculated based on the agreed percentage of the total operating revenue of the previous fiscal year audited and verified by the CPAs. The management royalty of the previous year has to be paid before August 31 each year.</p> <p>C. Rent: It is calculated based on the "Regulations for Favorable Rentals Regarding Public Land Lease and Superficies in Infrastructure Projects."</p> <p>D. Performance bond: Silks Palace At National Palace Museum Corp. provides a performance bond of NT\$5,000 which will be returned 3 months after the completion of all related procedures for assets transfer according to the contract.</p>	<p>A. The following financial percentage shall be maintained during the development and operation period:</p> <p>a. The current ratio shall not be less than 100%.</p> <p>b. The total liabilities amount shall be less than 1.5 times of the net worth.</p> <p>B. The financial plans of Regent Palace Forbidden City shall be adjusted based on the financial plan proposed after the selection and evaluation.</p> <p>C. Besides obtaining agreement by the National Palace Museum, the Silks Palace At National Palace Museum Corp. shall not make re-investments of other businesses.</p> <p>D. For the assets and liabilities acquired by Silks Palace At National Palace Museum Corp.'s management of this project, no encumbrance shall be imposed; it shall not be transferred or leased without the consent of the National Palace Museum.</p>

## Six. Financial Overview

### I. Condensed balance sheet, comprehensive income statement and independent auditor's opinions for the most recent five years

#### (I) 1. Summarized individual balance sheet - International Financial Reporting Standards

Unit: NT\$ thousands

Item	Year	Financial information for the most recent five years (Note 1)				
		2019	2020	2021	2022	2023
Current assets		1,352,408	1,416,891	2,962,533	2,550,569	3,004,356
Property, plant and equipment (Note 2)		2,053,111	1,866,636	1,627,935	1,476,078	1,373,293
Intangible assets		20,923	20,923	20,923	20,923	20,923
Other assets (Note 2)		7,104,977	6,715,652	5,677,959	5,632,806	5,448,888
Total assets		10,531,419	10,020,102	10,289,350	9,680,376	9,847,460
Current liabilities	Before allocation	2,136,813	3,085,834	2,092,229	2,230,632	2,438,596
	After allocation	3,416,617	3,645,017	3,671,074	3,378,191	Not allocated yet
Non-current liabilities		5,124,877	3,604,848	3,347,816	3,109,049	2,821,420
Total liabilities	Before allocation	7,261,690	6,690,682	5,440,045	5,339,681	5,260,016
	After allocation	8,541,494	7,249,865	7,018,890	6,487,240	Not allocated yet
Equity attributable to owners of TCFHC		3,269,729	3,329,420	4,849,305	4,340,695	4,587,444
Capital stock		1,274,020	1,274,020	1,274,032	1,274,032	1,274,032
Capital surplus		222,196	222,196	222,383	222,383	222,383
Retained earnings	Before allocation	1,987,704	2,146,542	3,776,699	3,115,712	3,383,387
	After allocation	707,900	1,587,359	2,197,854	1,968,153	Not allocated yet
Other equity		(214,191)	(313,338)	(423,809)	(271,432)	(292,358)
Treasury stock		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total Equity	Before allocation	3,269,729	3,329,420	4,849,305	4,340,695	4,587,444
	After allocation	1,989,925	2,770,237	3,270,460	3,193,136	Not allocated yet

Note 1: The financial information of each year has been audited by CPAs.

Note 2: No asset revaluation was conducted in the last 5 years.

Note 3: The above-mentioned post-distribution figures are based on the resolutions made by the shareholders' meeting in the following year.

Note 4: The above-mentioned financial information is subject to correction or restatement without notice from the authority.



2. Consolidated summary balance sheet - International Financial Reporting Standards

Unit: NT\$ thousand

Item \ Year		Financial information for the most recent five years (Note 1)				
		2019	2020	2021	2022	2023
Current assets		2,787,301	3,334,208	4,063,100	3,766,253	4,658,780
Property, plant and equipment (Note 2)		2,664,508	2,492,767	2,219,658	2,066,655	1,949,026
Intangible assets		23,459	25,423	20,923	20,923	20,923
Other assets (Note 2)		5,856,931	5,101,951	4,707,771	4,635,122	4,002,464
Total assets		11,332,199	10,954,349	11,011,452	10,488,953	10,631,193
Current liabilities	Before allocation	2,578,793	3,616,125	2,474,302	2,654,384	2,843,138
	After allocation	3,858,597	4,175,308	4,053,147	3,801,943	Not allocated yet
Non-current liabilities		5,195,188	3,688,196	3,374,944	3,128,775	2,840,127
Total liabilities	Before allocation	7,773,981	7,304,321	5,849,246	5,783,159	5,683,265
	After allocation	9,053,785	7,863,504	7,428,091	6,930,718	Not allocated yet
Equity attributable to owners of TCFHC		3,269,729	3,329,420	4,849,305	4,340,695	4,587,444
Capital stock		1,274,020	1,274,020	1,274,032	1,274,032	1,274,032
Capital surplus		222,196	222,196	222,383	222,383	222,383
Retained earnings	Before allocation	1,987,704	2,146,542	3,776,699	3,115,712	3,383,387
	After allocation	707,900	1,587,359	2,197,854	1,968,153	Not allocated yet
Other equity		(214,191)	(313,338)	(423,809)	(271,432)	(292,358)
Treasury stock		0	0	0	0	0
Non-controlling interests		288,489	320,608	312,901	365,099	360,484
Total Equity	Before allocation	3,558,218	3,650,028	5,162,206	4,705,794	4,947,928
	After allocation	2,278,414	3,090,845	3,583,361	3,558,235	Not allocated yet

Note 1: The financial information of each year has been audited by CPAs.

Note 2: No asset revaluation was conducted in the last 5 years.

Note 3: The above-mentioned post-distribution figures are based on the resolutions made by the shareholders' meeting in the following year.

Note 4: The above-mentioned financial information is subject to correction or restatement without notice from the authority.

(II) 1. Individual summarized comprehensive income statement -  
International Financial Reporting Standards

Unit: NT\$ thousand

Item \ Year	Financial information for the most recent five years (Note 1)				
	2019	2020	2021	2022	2023
Operating revenue	5,012,078	3,930,343	3,598,851	4,680,067	5,775,067
Operating profit margin	1,601,999	925,146	794,776	1,403,209	2,036,787
Operating income (loss)	1,082,218	507,705	323,072	952,164	1,559,907
Non-operating income and expenses	466,616	252,696	1,970,265	157,614	171,441
Profit before tax	1,548,834	760,401	2,293,337	1,109,778	1,731,348
Profit of (loss) for the period from continuing operations	1,344,181	660,058	2,177,298	902,897	1,415,555
Loss of the discontinued business entity	-	-	-	-	-
Net income (loss)	1,344,181	660,058	2,177,298	902,897	1,415,555
Other comprehensive income (losses), net of income tax	(57,899)	(100,875)	(98,429)	167,338	(21,247)
Total comprehensive income	1,286,282	559,183	2,078,869	1,070,235	1,394,308
Net income attributable to owners of TCFHC	1,344,181	660,058	2,177,298	902,897	1,415,555
Net income attributable to owners of non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to owners of TCFHC	1,286,282	559,183	2,078,869	1,070,235	1,394,308
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share (NT\$)	10.58	5.18	17.09	7.09	11.11

Note 1: The financial information of each year has been audited by CPAs.

Note 2: The above-mentioned financial information is subject to correction or restatement without notice from the authority.

2. Consolidated summary of comprehensive income statement - adopting IFRS

Unit: NT\$ thousands

Item \ Year	Financial information for the most recent five years (Note 1)				
	2019	2020	2021	2022	2023
Operating revenue	6,535,609	5,422,910	4,930,694	5,597,323	6,765,042
Operating profit margin	2,188,623	1,530,440	1,332,233	1,864,617	2,514,142
Operating income (loss)	1,263,103	734,073	538,189	1,221,038	1,843,137
Non-operating income and expenses	367,893	147,062	1,863,346	83,150	65,548
Profit before tax	1,630,996	881,135	2,401,535	1,304,188	1,908,685
Profit of (loss) for the period from continuing operations	1,384,865	732,868	2,239,779	1,015,703	1,526,673
Loss of the discontinued business entity	-	-	-	-	-
Net income (loss)	1,384,865	732,868	2,239,779	1,015,703	1,526,673
Other comprehensive income (losses), net of income tax	(56,835)	(101,227)	(98,120)	167,968	(21,644)
Total comprehensive income	1,328,030	631,641	2,141,659	1,183,671	1,505,029
Net income attributable to owners of TCFHC	1,344,181	660,058	2,177,298	902,897	1,415,555
Net income attributable to owners of non-controlling interests	40,684	72,810	62,481	112,806	111,118
Total comprehensive income attributable to owners of TCFHC	1,286,282	559,183	2,078,869	1,070,235	1,394,308
Total comprehensive income attributable to non-controlling interests	41,748	72,458	62,790	113,436	110,721
Earnings per share (NT\$)	10.58	5.18	17.09	7.09	11.11

Note 1: The financial information of each year has been audited by CPAs.

Note 2: The above-mentioned financial information is subject to correction or restatement without notice from the authority.

(III) Names and audit opinions of CPAs in the most recent five years

Year	Name of CPAs	Opinion	CPA Firm
2019	Chao-Ming Wang and Tsung-Hsi Lai	No qualified opinion.	PwC Taiwan
2020	Chao-Ming Wang and Tsung-Hsi Lai	No qualified opinion.	PwC Taiwan
2021	Tsung-Hsi Lai and Chao-Ming Wang	No qualified opinion.	PwC Taiwan
2022	Chin-Lien Huang and Chao-Ming Wang	No qualified opinion.	PwC Taiwan
2023	Chin-Lien Huang, Hsiu-Ling Li	No qualified opinion.	PwC Taiwan

## II. Financial analysis for the past five years

### (1) Parent company only financial analysis - Adoption of International Financial Reporting Standards

Analysis item		Year	Financial analysis for the last five years				
		2019	2020	2021	2022	2023	
Financial structure (%)	Debt to assets ratio	68.95	66.77	52.87	55.16	53.41	
	Long-term Fund to Property, Plant and Equipment	408.87	371.48	503.53	504.70	539.50	
Ability to repay debts	Current ratio	63.29	45.92	141.60	114.34	123.20	
	Quick ratio	60.74	44.33	139.00	110.76	120.43	
	Times interest earned (TIE) ratio:	16.63	9.07	31.38	19.64	35.95	
Operating ability	Receivables turnover (times)	26.89	29.16	26.28	29.06	30.41	
	Days sales outstanding	13.57	12.52	13.89	12.56	12.00	
	Average inventory turnover (times)	40.91	38.53	33.28	32.76	35.99	
	Average payment turnover (times)	18.59	13.90	10.04	9.39	10.97	
	Days sales in inventory	8.92	9.47	10.96	11.14	10.14	
	Property, plant and equipment turnover (times)	2.37	2.01	2.06	3.02	4.05	
	Total assets turnover (times)	0.57	0.38	0.35	0.47	0.59	
Return on investment analysis	Return on total assets (%)	16.06	7.16	22.04	9.52	14.90	
	Return on equity (%)	36.71	20.00	53.24	19.65	31.71	
	To paid-in capital ratio (%)	Operation income to capital	84.95	39.85	25.36	74.74	122.44
		Income before tax	121.57	59.69	180.01	87.11	135.90
	Net margin (%)	26.82	16.79	60.50	19.29	24.51	
	Earnings per share (NT\$)	10.58	5.18	17.09	7.09	11.11	
Cash flow	Cash flow ratio (%)	100.53	27.93	(6.62)	85.35	63.41	
	Cash flow adequacy ratio (%)	95.79	99.07	89.31	92.36	93.75	
	Cash flow reinvestment ratio (%)	(0.35)	4.02	(6.74)	3.42	4.33	
Leverage	Operating leverage	2.72	4.37	6.32	2.81	2.19	
	Financial leverage	1.10	1.23	1.30	1.07	1.03	
<p>Reasons for changes in financial ratios in the most recent two years. (Analysis is waived for changes less than 20%)</p> <ol style="list-style-type: none"> <li>The increase in long-term capital to property, plant, and equipment in the current period is a result of the decrease in net amount of property, plant, and equipment.</li> <li>The increase in interest protection multiples in the current period is mainly due to the increase in net profits before tax in the current period.</li> <li>The increase in the turnover rate of property, plant and equipment in the current period is mainly due to the increase in revenue.</li> <li>The increase in total asset turnover was mainly due to the increase in revenue.</li> <li>The increase in operating profits to paid-in capital ratio and the earnings before tax to paid-in capital ratio, and the increase in earnings per share, in the current period are mainly due to the increase in operating profits, pre-tax profits and net profits after tax all increased due to the increase in revenue.</li> <li>The decrease in cash flow ratio in the current period is mainly due to the decrease in net cash flow from operating activities and the increase in financial assets at fair value through profit or loss-current due to operational planning requirements</li> <li>The decrease in operating leverage was mainly a result of the increase in operating profit caused by the increase in revenue.</li> </ol>							

(2) Consolidated financial analysis - Adoption of International Financial Reporting Standards

Analysis item		Year	Financial analysis for the last five years				
		2019	2020	2021	2022	2023	
Financial structure (%)	Debt to assets ratio	68.60	66.68	53.12	55.14	53.46	
	Long-term Fund to Property, Plant and Equipment	328.52	294.38	384.62	379.09	399.59	
Ability to repay debts	Current ratio	108.09	92.20	164.21	141.89	163.86	
	Quick ratio	103.59	88.73	161.23	138.21	160.89	
	Times interest earned (TIE) ratio:	17.20	10.18	32.20	22.39	38.16	
Operating ability	Receivables turnover (times)	26.07	25.78	25.83	31.50	32.78	
	Days sales outstanding	14.00	14.15	14.13	11.58	11.13	
	Average inventory turnover (times)	15.77	18.07	22.37	33.06	36.50	
	Average payment turnover (times)	15.32	12.52	10.55	9.90	11.51	
	Days sales in inventory	23.14	20.19	16.31	11.04	10.00	
	Property, plant and equipment turnover (times)	2.38	2.10	2.09	2.61	3.37	
	Total assets turnover (times)	0.68	0.49	0.45	0.52	0.64	
Return on investment analysis	Return on total assets (%)	15.24	7.27	20.95	9.90	14.85	
	Return on equity (%)	35.19	20.33	50.83	20.59	31.63	
	To paid-in capital ratio (%)	Operation income to capital	99.14	57.62	42.24	95.84	144.67
		Income before tax	128.02	69.16	188.50	102.37	149.81
	Net margin (%)	21.19	13.51	45.43	18.15	22.57	
	Earnings per share (NT\$)	10.58	5.18	17.09	7.09	11.11	
Cash flow	Cash flow ratio (%)	91.21	28.19	7.07	80.59	64.13	
	Cash flow adequacy ratio (%)	100.23	104.95	97.95	102.42	106.20	
	Cash reinvestment ratio (%)	1.41	4.91	(3.34)	5.28	6.52	
Leverage	Operating leverage	2.83	3.89	4.85	2.63	2.16	
	Financial leverage	1.09	1.15	1.17	1.05	1.03	
Reasons for changes in financial ratios in the most recent two years. (Analysis is waived for changes less than 20%)							
<ol style="list-style-type: none"> <li>1. The increase in long-term capital to property, plant, and equipment in the current period is a result of the decrease in net amount of property, plant, and equipment.</li> <li>2. The increase in the current ratio and quick ratio for the current period was a result of the increase in the holding of financial assets measured at fair value through profit or loss for business planning - current.</li> <li>3. The increase in interest protection multiples in the current period is mainly due to the increase in net profit before tax in the current period.</li> <li>4. The increase in property, plant and equipment turnover rate and total asset turnover rate in the current period is a result of the increase in revenue in the current period.</li> <li>5. The increase in operating profits to paid-in capital ratio and the earnings before tax to paid-in capital ratio to the increase in operating profits, pre-tax profits and net profits after tax all increased due to the increases</li> </ol>							

The formula for calculating the above-mentioned important financial ratio is as follows:

1. Financial structure
  - (1) Debt ratio = total liabilities / total assets.
  - (2) Long-term capital to property, plant and equipment ratio = ( total equity + non-current liabilities) / net property, plant and equipment.
2. Liquidity Analysis
  - (1) Current ratio = current assets / current liabilities.
  - (2) Quick ratio = (current assets - inventories - prepaid expenses) / current liabilities.
  - (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses.
3. Operating Performance Analysis
  - (1) Receivables turnover (including accounts receivable and notes receivable from operating activities) = net sales / average balance of receivables (including accounts receivable and notes receivable from operating activities).
  - (2) Days sales outstanding = 365 / receivables turnover.
  - (3) Inventory turnover = cost of sales / average inventory.
  - (4) Payables (including accounts payable and notes payable arising from business operations) turnover = cost of goods sold/balance of average accounts payable for each period (including accounts payable and notes payable arising from business operations).
  - (5) Days sales in inventory = 365 / inventory turnover.
  - (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment.
  - (7) Total Assets Turnover = Net Sales / Average Total Assets.
4. Profitability Analysis
  - (1) Return on assets = "net income + interest expenses x (1 - tax rate)"/average total assets.
  - (2) Return on Equity = Net Income / Average Equity
  - (3) Net profit margin = net profit / net sales.
  - (4) Earnings per share = (net profit attributable to shareholders of the Parent - preferred stock dividend) / weighted average number of shares outstanding. (Note 4)
5. Cash flow
  - (1) Cash flow ratio = net cash provided by operating activities / current liabilities.
  - (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividends).
  - (3) Cash flow reinvestment ratio = (cash provided by operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other noncurrent assets + working capital). (Note 5)
6. Leverage:
  - (1) Operating leverage = (net operating revenue - variable operating costs and expenses) / operating income (Note 6).
  - (2) Financial leverage = operating income / (operating income - interest expense).

III. Audit Committee's report on the review for the most recent year financial statements

**Formosa International Hotels Corporation**

**Audit Committee's Report**

We have reviewed the Company's 2023 business report, parent company only financial report and consolidated financial report, and earnings appropriation proposal prepared by the Board of Directors. The parent company only and consolidated financial reports have been audited and verified by independent auditors, CPAs Chin-Lien Huang and Hsiu-Ling Li of PricewaterhouseCoopers Taiwan (PwC Taiwan), for which the firm has issued an Independent Auditor's Report. The above-mentioned statements have been reviewed by the Audit Committee and there was no inconsistency identified. We have issued this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Sincerely

2024 Shareholders' Meeting

Convener of the Audit Committee: Kuo-Chun Chang

March 11, 2024

#### IV. Financial report for the most recent year

Formosa International Hotels Corporation and Subsidiaries

Declaration of Consolidated Financial Statements of Affiliates

The entities to be included in the consolidated financial statements of affiliated enterprises in 2023 (from January 1, 2023 to December 31, 2023) pursuant to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those to be included in the consolidated financial statements of the parent company and subsidiaries pursuant to the IAS No. Ten. Further, the related information to be disclosed in the consolidated financial statement of affiliated enterprises has been disclosed in the said consolidated financial statements of parent company and subsidiaries. Accordingly, it is not necessary for the Company to prepare the consolidated financial statements of affiliated enterprises separately.

Declared by

Company name: Formosa International Hotels Corporation

Responsible person: Steven Pan

March 11, 2024



## Independent Auditor's Report

Letter Reference No. 23005040 issued by the Ministry of Finance (MOF)

Formosa International Hotels Corporation:

### **Opinion**

We have audited the accompanying consolidated financial statements of Formosa International Hotels Corporation and subsidiaries (hereinafter referred to as "FIH Group"), which comprise of the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audit results and audit reports of other accountants (please refer to the paragraph on other matters), the accompanying consolidated financial statements present fairly, in all material respects, the financial position of FIH Group as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulation Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee (collectively, "IFRSs") as endorsed and issued into effect by the Financial Supervisory Commission (FSC).

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of FIH Group in accordance with The Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audit results and audit reports of other accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of FIH Group for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the 2023 consolidated financial statements of FIH Group are as below:

### **The accuracy of the revenue recognition for hotel and restaurant business**

#### Description of the matter

Regarding the accounting policy for revenue recognition, please refer to Note IV (XXIX) of the consolidated financial report; On the explanation of the operating revenue account titles, please refer to Note VI (XXII) of the consolidated financial report.

The FIH Group provides services in the four business segments, including Housekeeping segment, Food & Beverage segment, Rental segment, and Operation Management segment. Among which, revenue source comes mainly from hotel and restaurant operation which is its principal business. Due to the significant amounts and the characteristic of the business, consisting of low unit price products but numerous number of sales transactions, the volume of transactions has been huge. This can lead to a higher chance for occurrence of errors resulting in material misstatement of the consolidated financial statements. Consequently, the accuracy of the revenue recognition for hotel and restaurant business is identified as one of the key audit matters.

#### Audit procedures in response

The procedures that we have conducted in response to the above-mentioned key audit matter are summarized as follows:

We understood and tested the effectiveness of the internal control adopted by FIH Group for its hotel and restaurant operation revenue, including confirmation of consistency between the sales report amount generated from the sales system and the credit entry.

We conducted analysis for the various management reports of the hotels and restaurants, including analysis of the hotel occupancy rate and room price, pricing of food and beverages, number of visitors, average spending, and other information. This analysis assesses the reasonableness of the revenue amount arising from hotel and restaurant operation.

We conducted substantive tests for the following:

- (1) Cross-checked the customer bills and signing records with the credit entry for accuracy.
- (2) Cross-checked the payment records and the original credit entry to ensure that they match.

### **Accuracy of Food and Beverage Cost Carry Forward**

#### Description of the matter

The FIH Group provides services in the four business segments, including Housekeeping segment, Food and Beverage segment, Rental segment, and Operation Management segment. Among which, the food and beverage cost covers raw ingredients (food ingredients classified into fresh food, dry goods, alcohol, beverages and so on), and direct labor and manufacturing expenses (e.g.: Rental expenses, water, electricity and gas expenses, depreciation expenses and so on). Due to the significant amounts and a relatively higher chance of mistakes to occur in the calculation of inventory cost carry forward and expenses, which might result in material misstatement in the consolidated financial statements. Consequently, the accuracy of the food and beverage cost carry forward is identified as one of the key audit matters.

#### Audit procedures in response

The procedures that we have conducted in response to the above-mentioned key audit matter are summarized as follows:

1. We understood and tested the effectiveness of the internal control adopted by FIH Group for its food and beverage and guest rooms, including confirmation of consistency between the cost carry forward amount in the system and the credit entry, and verifying the consistency between the credit entry and the calculation table.

Performed the substantive tests. Obtained the various forms and statements of the

food and beverage cost carry forward (covering procured goods, direct labor and expenses sharing statements and so on). Sampled and cross-checked the certificates and re-examined the sharing of expenses to confirm the accuracy of the food and beverage cost carry forward.

### **Other matters - referenced the audit reports by other independent auditors**

The subsidiaries consolidated in FIH Group's financial statements, the 2022 financial statements of some of the subsidiaries were not reviewed by us but by other auditors. Therefore, our opinions of the abovementioned financial statements were based on the audit reports by other auditors regarding the listed amounts and relevant information disclosed in Note XIII of the financial statements of the subsidiaries. The total assets of the subsidiaries for December 31, 2022 were NT\$17,314 thousand, which account for 0.17% of the total consolidated assets. The net operating revenue for January 1 to December 31, 2022, was NT\$0 thousand, which account for 0% of the net consolidated operating revenue.

### **Other Matters - Parent Company Only Financial Statements**

We have also audited the parent company only financial statements of Formosa International Hotels Corporation as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion and an other-matter paragraph.

### **Responsibilities of Management and Those Charged With Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the FIH Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate FIH Group, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing FIH Group's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatement can arise from fraud or error individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

2. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
3. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the FIH Group's internal control.
4. Evaluate the appropriateness of accounting policies used and the reasonableness

of accounting estimates and related disclosures made by management.

5. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on FIH Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause FIH Group to cease to continue as a going concern.
6. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
7. Obtain sufficient appropriate audit evidence of the parent company only financial information within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with The Norm of Professional Ethics for Certified Public Accountants of the Republic of China regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From matters communicated with the governance unit, we determined an issue that was most significant in the audit of the consolidated financial statements for the year ended December 31, 2023, and is, therefore, the key audit matter. We describe this matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter

should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PwC Taiwan

Chin-Lien Huang

Certified Public Accountant

Hsiu-Ling Li

Financial Supervisory Commission

Approved document number: Reference No.  
1100348083.

Formerly the Securities & Futures Commission  
(SFC), Ministry of Finance (MOF).

Approved document number: Reference No.  
0960038033

March 11, 2024

Formosa International Hotels Corporation and Subsidiaries  
Consolidated Balance Sheet  
December 31, 2023 and 2022

Unit: NT\$ thousand

Assets	Note	December 31, 2023		December 31, 2022		
		Amount	%	Amount	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	VI (I)	\$ 475,230	4	\$ 453,169	4
1110	Financial assets at fair value through profit or loss - current	VI (II) and VIII	2,767,248	26	2,379,961	23
1136	Financial assets at amortized cost - current	VI (I) (IV) and VIII	694,837	7	644,251	6
1150	Notes receivable, net	VI (V)	14,923	-	9,121	-
1170	Account receivable, net	VI (V)	209,364	2	176,980	2
1200	Other receivables	VI (XII)	407,583	4	5,068	-
1220	Current income tax assets		5,236	-	-	-
130X	Inventories	VI (VI)	27,528	-	37,329	-
1410	Prepayments		56,831	1	60,374	1
11XX	<b>Total current assets</b>		<u>4,658,780</u>	<u>44</u>	<u>3,766,253</u>	<u>36</u>
<b>Non-current assets</b>						
1517	Financial assets at fair value through other comprehensive income – non-current	VI (III)	500	-	500	-
1535	Financial assets at amortized cost - non-current	VI (I) (IV) and VIII	55,842	1	54,634	-
1550	Investments accounted for using equity method	VI (VII)	1,111,183	10	1,110,890	11
1600	Property, plant and equipment	VI (VIII) (XIII) (XIV) and VIII	1,949,026	18	2,066,655	20
1755	Right-of-use assets	VI (IX)	2,711,851	26	2,946,668	28
1780	Intangible assets	VI (XI)	20,923	-	20,923	-
1840	Deferred tax assets	VI (XXIX)	38,115	-	32,357	-
1900	Other non-current assets	VI (XII)	84,973	1	490,073	5
15XX	<b>Total non-current assets</b>		<u>5,972,413</u>	<u>56</u>	<u>6,722,700</u>	<u>64</u>
1XXX	<b>Total assets</b>		<u>\$ 10,631,193</u>	<u>100</u>	<u>\$ 10,488,953</u>	<u>100</u>

(Continued)



Formosa International Hotels Corporation and Subsidiaries  
Consolidated Balance Sheet  
December 31, 2023 and 2022

Unit: NT\$ thousand

Liabilities and Equity	Note	December 31, 2023		December 31, 2022		
		Amount	%	Amount	%	
<b>Current liabilities</b>						
2100	Short-term borrowings	VI (XIII) and VIII	\$ 86,714	1	\$ 86,714	1
2130	Contract Liabilities - current	VI (XXII)	615,853	6	667,670	6
2150	Notes payable	VI (XXIX)	72,132	1	133,859	1
2170	Accounts payable		251,744	2	281,204	3
2200	Other payables	VI (XV)	1,133,804	11	935,762	9
2230	Current income tax liabilities		372,856	3	263,676	3
2280	Lease liabilities - current	VI (XVI)	252,902	2	257,687	2
2300	Other current liabilities		57,133	1	27,812	-
21XX	<b>Total current liabilities</b>		<u>2,843,138</u>	<u>27</u>	<u>2,654,384</u>	<u>25</u>
<b>Non-current liabilities</b>						
2527	Contract liabilities—non-current	VI (XXII)	8,229	-	9,891	-
2570	Deferred tax liabilities	VI (XXIX)	1,825	-	699	-
2580	Lease liabilities - non-current	VI (XVI)	2,554,554	24	2,755,678	26
2600	Other non-current liabilities	VI (V) (XVII) (XVIII) (XXIX)	275,519	2	362,507	4
25XX	<b>Total non-current liabilities</b>		<u>2,840,127</u>	<u>26</u>	<u>3,128,775</u>	<u>30</u>
2XXX	<b>Total liabilities</b>		<u>5,683,265</u>	<u>53</u>	<u>5,783,159</u>	<u>55</u>
<b>Equity attributable to Owners of the parent</b>						
	Capital stock	VI (XIX)				
3110	Capital - common stock		1,274,032	12	1,274,032	12
	Capital surplus	VI (XX)				
3200	Capital surplus		222,383	2	222,383	2
	Retained earnings	VI (XXI)				
3310	Legal reserve		1,274,032	12	1,274,032	12
3320	Special reserve		271,432	3	423,809	4
3350	Unappropriated earnings		1,837,923	17	1,417,871	14
	Other equity					
3400	Other equity		(292,358)	(3)	(271,432)	(3)
31XX	<b>Total equity attributable to shareholders of the parent</b>		<u>4,587,444</u>	<u>43</u>	<u>4,340,695</u>	<u>41</u>
36XX	<b>Non-controlling interests</b>		<u>360,484</u>	<u>4</u>	<u>365,099</u>	<u>4</u>
3XXX	<b>Total equity</b>		<u>4,947,928</u>	<u>47</u>	<u>4,705,794</u>	<u>45</u>
	Significant contingent liabilities and unrecognized contractual commitment	(IX)				
	Significant Events After Reporting Period	XI				
3X2X	<b>TOTAL</b>		<u>\$ 10,631,193</u>	<u>100</u>	<u>\$ 10,488,953</u>	<u>100</u>

Please also refer to the consolidated financial statements notes attached at the end which is part of the consolidated financial report.

Chairman: Steven Pan

Managerial officer: Wei-Cheng Wu

Accounting Officer: Chien-Nan Tsao

Formosa International Hotels Corporation and Subsidiaries  
Consolidated Statements of Comprehensive Income  
January 1 to December 31, 2023 and 2022

Unit: NT\$ thousand  
(Except earnings per share in NT\$)

Item	Note	2023		2022	
		Amount	%	Amount	%
4000 Operating revenue	VI (X) (XXII)	\$ 6,765,042	100	\$ 5,597,323	100
5000 Operating costs	VI (VI) (XVII) (XXVII) (XXVIII)	( 4,250,900)	( 63)	( 3,732,706)	( 67)
5950 Gross profit		<u>2,514,142</u>	<u>37</u>	<u>1,864,617</u>	<u>33</u>
Operating expenses	VI (VI) (XVII) (XXVII) (XXVIII)				
6100 Selling expense		( 34,424)	( 1)	( 32,773)	-
6200 Administrative expense		( 636,581)	( 9)	( 610,806)	( 11)
6000 Total operating expenses		( 671,005)	( 10)	( 643,579)	( 11)
6900 Operation profit		<u>1,843,137</u>	<u>27</u>	<u>1,221,038</u>	<u>22</u>
Non-operating income and expenses					
7100 Interest income	VI (IV) (XXIII)	58,553	1	30,052	-
7010 Other non-interest income	VI (XXIV)	39,722	1	52,016	1
7020 Other gains and losses	VI (II) (XXV)	( 3,384)	-	49,279	1
7050 Finance cost	VI (IX) (XXVI)	( 51,358)	( 1)	( 60,983)	( 1)
7060 Share of profit/(loss) of associates and joint ventures accounted for under equity method	VI (VII)	<u>22,015</u>	<u>-</u>	<u>12,786</u>	<u>-</u>
7000 Total non-operating income and expenses		<u>65,548</u>	<u>1</u>	<u>83,150</u>	<u>1</u>
7900 <b>Profit before tax</b>		<u>1,908,685</u>	<u>28</u>	<u>1,304,188</u>	<u>23</u>
7950 Income tax expense	VI (XXIX)	( 382,012)	( 6)	( 288,485)	( 5)
8200 <b>Net income</b>		<u>\$ 1,526,673</u>	<u>22</u>	<u>\$ 1,015,703</u>	<u>18</u>

(Continued)

Formosa International Hotels Corporation and Subsidiaries  
Consolidated Statements of Comprehensive Income  
January 1 to December 31, 2023 and 2022

Unit: NT\$ thousand  
(Except earnings per share in NT\$)

Item	Note	2023		2022		
		Amount	%	Amount	%	
<b>Other comprehensive income of the current period (net)</b>						
<b>Items not to be reclassified into profit or loss</b>						
8311	Remeasurement of defined benefit plans	VI (XVII)	(\$ 674)	-	\$ 19,134	-
8349	Income tax relating to items not for reclassifications	VI (XXIX)	( 39)	-	( 3,550)	-
8310	Total for the items not to be reclassified into profit or loss		( 713)	-	15,584	-
<b>Items that may be reclassified subsequently to profit or loss</b>						
8361	Exchange differences on the translation of financial statements of foreign operations		( 20,931)	-	152,384	3
8360	Total for the items that may be reclassified subsequently to profit or loss		( 20,931)	-	152,384	3
8300	<b>Other comprehensive income of the current period (net)</b>		(\$ 21,644)	-	\$ 167,968	3
8500	<b>Total comprehensive income</b>		\$ 1,505,029	22	\$ 1,183,671	21
Net income attributable to:						
8610	Owners of the parent		\$ 1,415,555	20	\$ 902,897	16
8620	Non-controlling interests		111,118	2	112,806	2
			\$ 1,526,673	22	\$ 1,015,703	18
Total comprehensive income attributable to:						
8710	Owners of the parent		\$ 1,394,308	20	\$ 1,070,235	19
8720	Non-controlling interests		110,721	2	113,436	2
			\$ 1,505,029	22	\$ 1,183,671	21
Earning per share						
9750	Basic earnings per share	VI (XXX)	\$ 11.11		\$ 7.09	
9850	Diluted earnings per share	VI (XXX)	\$ 11.07		\$ 7.07	

Please also refer to the consolidated financial statements notes attached at the end which is part of the consolidated financial report.

Chairman: Steven Pan

Managerial officer: Wei-Cheng Wu

Accounting Officer: Chien-Nan Tsao

Formosa International Hotels Corporation and Subsidiaries  
Consolidated Statements of Changes in Equity  
January 1 to December 31, 2023 and 2022

Unit: NT\$ thousand

Note	Equity attributable to Owners of the parent						Exchange differences on the translation of financial statements of foreign operations	Total	Non-controlling interests	Total Equity
	Capital - common stock	Issued at premium	Legal reserve	Special reserve	Unappropriated earnings	Retained earnings				
<u>2022</u>										
Balance as of January 1	\$ 1,274,032	\$ 222,383	\$ 1,274,020	\$ 313,338	\$ 2,189,341	(\$ 423,809)	\$ 4,849,305	\$ 312,901	\$ 5,162,206	
Net income	-	-	-	-	902,897	-	902,897	112,806	1,015,703	
Other comprehensive income of the current period	-	-	-	-	14,961	152,377	167,338	630	167,968	
Total comprehensive income	-	-	-	-	917,858	152,377	1,070,235	113,436	1,183,671	
2021 Appropriation and distribution of retained earnings VI (XXI)										
Legal reserve	-	-	12	-	( 12 )	-	-	-	-	
Allocated special reserve	-	-	-	110,471	( 110,471 )	-	-	-	-	
Cash dividends	-	-	-	-	( 1,578,845 )	-	( 1,578,845 )	-	( 1,578,845 )	
Cash dividends attributable to non-controlling interests	-	-	-	-	-	-	-	( 61,238 )	( 61,238 )	
Balance as of December 31, 2022	\$ 1,274,032	\$ 222,383	\$ 1,274,032	\$ 423,809	\$ 1,417,871	(\$ 271,432)	\$ 4,340,695	\$ 365,099	\$ 4,705,794	
<u>2023</u>										
Balance as of January 1, 2023	\$ 1,274,032	\$ 222,383	\$ 1,274,032	\$ 423,809	\$ 1,417,871	(\$ 271,432)	\$ 4,340,695	\$ 365,099	\$ 4,705,794	
Net income	-	-	-	-	1,415,555	-	1,415,555	111,118	1,526,673	
Other comprehensive income of the current period	-	-	-	-	( 321 )	( 20,926 )	( 21,247 )	( 397 )	( 21,644 )	
Total comprehensive income	-	-	-	-	1,415,234	( 20,926 )	1,394,308	110,721	1,505,029	
Appropriations and distributions of 2022 VI (XXI) earnings										
Reversal of special reserves	-	-	-	( 152,377 )	152,377	-	-	-	-	
Cash dividends	-	-	-	-	( 1,147,559 )	-	( 1,147,559 )	-	( 1,147,559 )	
Cash dividends attributable to non-controlling interests	-	-	-	-	-	-	-	( 115,336 )	( 115,336 )	
Balance as of December 31, 2023	\$ 1,274,032	\$ 222,383	\$ 1,274,032	\$ 271,432	\$ 1,837,923	(\$ 292,358)	\$ 4,587,444	\$ 360,484	\$ 4,947,928	

Please also refer to the consolidated financial statements notes attached at the end which is part of the consolidated financial report.

Chairman: Steven Pan

Managerial officer: Wei-Cheng Wu

Accounting Officer: Chien-Nan Tsao

Formosa International Hotels Corporation and Subsidiaries  
Consolidated statements of cash flows  
January 1 to December 31, 2023 and 2022

Unit: NT\$ thousand

	<u>Note</u>	<u>2023</u>	<u>2022</u>
<u>Cash flows from operating activities</u>			
Income before income tax		\$ 1,908,685	\$ 1,304,188
Adjusted items			
Adjustments to reconcile profit (loss)			
Net gains from financial assets and liabilities measured at fair value through profit or loss	VI (II) (XXV)	( 982 )	( 8,047 )
Share of profits for the associates using equity method	VI (VII)	( 22,015 )	( 12,786 )
Depreciation expense	VI (VIII) (IX) (XXVII)	594,130	590,217
Business facilities transferred to expenses	VI (VIII)	26,928	24,363
Property, plant and equipment transferred to expenses	VI (VIII)	934	-
Disposal of property, plant and equipment losses (gains)	VI (XXV)	748	( 358 )
Gain on liquidated subsidiary	VI (XXV)	( 914 )	-
Lease modification losses (gains)	VI (IX) (XXV)	197	( 151 )
Transfer of overdue accounts payable to other revenue	VI (XXIV)	( 11,547 )	( 3,584 )
Interest expense	VI (IX) (XXVI)	51,358	60,983
Interest income	VI (IV) (XXIII)	( 58,553 )	( 30,052 )
Change in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss (FVTPL)		( 386,305 )	449,925
Notes receivable		( 5,802 )	( 4,245 )
Accounts receivable		( 32,384 )	( 14,376 )
Other receivables		( 9,108 )	( 92 )
Inventories		10,298	( 9,722 )
Prepayments		3,551	( 12,579 )
Other non-current assets		148	-
Changes in operating liabilities			
Contract liabilities		( 53,479 )	( 56,197 )
Notes payable		( 50,050 )	( 24,785 )
Accounts payable		( 29,460 )	57,532
Other payables		216,316	7,905
Other current liabilities		29,321	256
Accrued pension liabilities		( 5,432 )	( 9,509 )
Other non-current liabilities		( 7,912 )	( 3,725 )
Cash inflows generated from operating activities		2,168,671	2,305,161
Interest received		50,493	22,494
Dividends received	VI (VII)	21,879	11,751
Interest paid		( 51,353 )	( 61,266 )
Income tax paid		( 366,461 )	( 139,100 )
Net cash inflows from operating activities		<u>1,823,229</u>	<u>2,139,040</u>

(Continued)

Formosa International Hotels Corporation and Subsidiaries  
Consolidated statements of cash flows  
January 1 to December 31, 2023 and 2022

Unit: NT\$ thousand

	<u>Note</u>	<u>2023</u>	<u>2022</u>
<u>Cash flows from investing activities</u>			
Increase in financial assets at amortized cost			
- current		(\$ 2,810,648)	(\$ 1,097,140)
Decrease in financial assets at amortized cost			
- current		2,740,351	1,054,521
Increase in financial assets at amortized cost			
- non-current		( 1,258)	( 12,467)
Decrease in financial assets at amortized cost			
- non-current		50	770
Acquisition of property, plant and equipment	VI (XXXI)	( 218,700)	( 176,324)
Disposal of property, plant and equipment		4,151	1,286
Increase in refundable deposits		( 944)	( 4,561)
Decrease in refundable deposits		10,663	1,663
Increase in prepayments for equipment		( 2,285)	( 3,704)
Net cash outflow from investing activities		<u>( 278,620)</u>	<u>( 235,956)</u>
<u>Cash flows from financing activities</u>			
Increase in short-term borrowings	VI (XXXII)	-	2,810
Increase in guarantee deposits received	VI (XXXII)	6,208	6,605
Decrease in guarantee deposits received	VI (XXXII)	( 8,481)	( 5,512)
Payments of lease liabilities	VI (XXXII)	( 265,213)	( 211,661)
Dividends paid	VI (XXI)	( 1,147,559)	( 1,578,845)
Dividends paid to non-controlling interests		( 115,336)	( 61,238)
Net cash used in financing activities		<u>( 1,530,381)</u>	<u>( 1,847,841)</u>
Effect of exchange rate changes		<u>7,833</u>	<u>5,302</u>
Increase in cash and cash equivalents in the current period		22,061	60,545
Cash and cash equivalents, beginning of the year		453,169	392,624
Cash and cash equivalents, end of the year		<u>\$ 475,230</u>	<u>\$ 453,169</u>

Please also refer to the consolidated financial statements notes attached at the end which is part of the consolidated financial report.

Chairman: Steven Pan

Managerial officer: Wei-Cheng Wu    Accounting Officer: Chien-Nan Tsao

Formosa International Hotels Corporation and Subsidiaries  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2023 AND 2022

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)

I. History and Organization

The Formosa International Hotels Corporation (“the Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China R.O.C. The principal business of the Company and subsidiaries (hereinafter referred to as “the Group”) engages in the operation of international tourist hotels. The Group also operates Chinese & Western restaurants, cafes, bars, conference halls, and so forth. The company also provides consulting services for hotel management, consultation and diagnostic analysis for various types of leisure industry facilities.

II. The Date of Authorisation for Issuance of the Separate Financial Statement and Procedures for Authorisation

These consolidated financial statements were authorized for issuance by the Board of Directors on March 11, 2024.

III. Application of New Standards, Amendments and Interpretations

(I) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRSs”) that came into effect as endorsed by the Financial Supervisory Commission (hereinafter referred to as “FSC”)

New standards, interpretations and amendments endorsed by FSC and became effective from 2023 are listed as follows:

<u>New/revised/amending standards and interpretations</u>	<u>Effective date by International Accounting Standards Board (IASB)</u>
Amendment to IAS 1, “Disclosure of accounting policies”	January 1, 2023
Amendments to IAS 8, “Definition of accounting estimates”	January 1, 2023
Amendment to IAS 12, “Deferred income taxes on assets and liabilities arising from a single transaction”	January 1, 2023
Amendments to IAS No. 12, “International tax reform - pillar 2 template”	May 23, 2023

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(II) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2024 are as follows:

<u>New Standard, Interpretations</u>	<u>Effective date by International Accounting Standards Board (IASB)</u>
Amendments to IFRS 16, "Lease liability in a sale and leaseback"	January 1, 2024
Amendment to IAS 1, "Classification of liabilities as current or non-current"	January 1, 2024
Amendment to IAS 1, "Non-current liabilities with covenants"	January 1, 2024
Amendments to IAS 7 and IFRS 7, "Supplier financing arrangements"	January 1, 2024

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(III) IFRSs issued by the IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standard, Interpretations</u>	<u>Effective date by International Accounting Standards Board (IASB)</u>
Amendments to IFRS 10 and IAS 28, "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined by the International Accounting Standards Board
IFRS 17, "Insurance contracts"	January 1, 2023
Amendment to IFRS 17, "Insurance contracts"	January 1, 2023
Amendment to IFRS 17, "Initial application of IFRS 17 and IFRS 9 - comparative information"	January 1, 2023
Amendments to IAS No. 21, "Lack of convertibility"	January 1, 2025

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

IV. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(I) Compliance Statement

The consolidated financial statements have been prepared in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs").



(II) Basis of Preparation

1. Except for the following significant items, these consolidated financial statements have been prepared under the historical cost convention:
  - (1) Financial assets at fair value through profit or loss.
  - (2) Financial assets at fair value through other comprehensive income.
  - (3) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
2. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note V.

(III) Basis of consolidation

1. Basis for preparation of consolidated financial statements
  - (1) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtained control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
  - (2) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
  - (3) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if these results in the non-controlling interests having a deficit balance.
  - (4) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e., transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
  - (5) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the association or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the

Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

2. Subsidiaries included in the consolidated financial statements:

<u>Investor</u>	<u>Name of subsidiary</u>	<u>Nature of business</u>	<u>Shareholding percentage</u>		<u>Remark</u>
			<u>December 31, 2023</u>	<u>December 31, 2022</u>	
Formosa International Hotels Corporation	GRAND FORMOSA TAROKO HOTEL CORPORATION (Grand Formosa Taroko)	Hotel business and scenic area recreation business, tennis court, swimming pool, and further management and consulting for tourism and recreation business	55	55	
Formosa International Hotels Corporation	Silks International Investment Inc. (Silks)	Investment	100	100	
Formosa International Hotels Corporation	Silks Palace At National Palace Museum (Silks Palace)	Food and beverage service	100	100	
Formosa International Hotels Corporation	Regent Apartment Building Management and Maintenance Co., Ltd. (Regent Apartment Building)	Apartment building management services	50.01	50.01	
Formosa International Hotels Corporation	Silks Global Holding, Limited (Silks Global)	Investment	100	100	Note 4
Silks International Investment Inc.	Silks Premier Hotel Management (Shanghai) Co., Ltd. (Silks Premier)	Hotel management, property management, and building design consultation	51	51	Note 5

<u>Investor</u>	<u>Name of subsidiary</u>	<u>Nature of business</u>	<u>Shareholding percentage</u>		<u>Remark</u>
			<u>December 31, 2023</u>	<u>December 31, 2022</u>	
Silks Global Holding, Limited	Silks Hospitality (BVI) Limited	Investment	100	100	
Silks Global Holding, Limited	Silks Denmark (BVI) Limited	Investment	-	100	Note 3
Silks Global Holding, Limited	Silks Residences Limited	Investment	100	100	
Silks Global Holding, Limited	FIH Management Limited	Hotel business management	100	100	
Silks Denmark (BVI) Limited	Silks A/S	Hotel business management	-	100	Note 1, 2
Silks Hospitality (BVI) Limited	Silks Hospitality, LLC	Cruise ship trademark business	100	100	

Note 1: From January 1 to December 31, 2022, it was audited and verified by other CPAs.

Note 2: Silks A/S was approved for dissolution by the Board of Directors on October 17, 2022. The record date for dissolution was October 31, 2022, which was written off on June 12, 2023. Liquidation was completed on August 7, 2023.

Note 3: Silks Denmark (BVI) Limited has in October 2022 proceeded with cash capital reduction of US\$1,502 thousand. Related capital reduction procedures have been completed on November 14, 2022. In addition, Silks Denmark (BVI) Limited was dissolved by the directors' declaration on August 31, 2023, and the liquidation was completed on September 15, 2023.

Note 4: Silks Global has in December 2022 proceeded with cash capital reduction of US\$1,900 thousand, a total of \$58,254 capital stock returned. Related capital reduction procedures have been completed on December 23, 2022.

Note 5: The Board of Directors resolved to dissolve Silks Premier Hotel Management (Shanghai) Co., Ltd. in the fourth quarter of 2023, and the relevant liquidation procedures are still in progress.

3. Subsidiaries included in the consolidated financial statements: None of such situations.
4. Adjustments and treatment method for the subsidiaries during the accounting period: None of such situations.
5. Significant restrictions: None of such situations.
6. Subsidiaries that have non-controlling interests that are material to the Group: None of such situations.

(IV) Foreign currency translation

Items included in the Group's standalone financial statements are measured using the

currency of the primary economic environment in which the Company operates (the “functional currency”). The consolidated financial statements are presented in New Taiwan Dollars (NTD), which is the Company’s functional presentation currency.

#### 1. Foreign currency and balances

- (1) Foreign currency transactions are translated into the functional currency using the spot exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the profit or loss in the period in which they arise.
- (2) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the spot exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (3) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the spot exchange rate prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differed are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (4) All other foreign exchange gains and losses based on the nature of those transactions are in the statement of comprehensive income within “other gains and losses”.

#### 2. Translation from foreign operations

- (1) The operating results and financial position of all group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - A. Assets and liabilities presented in each balance sheet are translated at the closing rate of the balance sheet date;
  - B. Income and expenses for each statement of comprehensive income are translated at average exchange rates of the current period; and
  - C. All resulting exchange differences are recognized in other comprehensive income.
- (2) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. However, if the Group still retains partial interests in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in these foreign operations.

#### (V) Classification of Current and Non-current Assets and Liabilities

##### 1. Assets that meet one of the following criteria are classified as current assets:

- (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

- (2) Assets held mainly for trading purposes;
- (3) Assets that are expected to be realized within twelve months from the balance sheet date.
- (4) Cash or cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

All assets that do not meet the abovementioned criteria will be classified as non-current by the Group.

2. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
  - (1) Liabilities that are expected to be settled in the normal operating cycle.
  - (2) Assets held mainly for trading purposes;
  - (3) Liabilities that are to be settled within twelve months from the balance sheet date;
  - (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All liabilities that do not meet the abovementioned criteria will be classified as non-current by the Group.

#### (VI) Cash equivalents

Cash equivalents refer to the investments that are short-term, highly liquid, subject to a low risk of changes in value, and readily convertible to known amount in cash. Time deposits that meet the above definition and are held for the operational purpose of meeting short-term cash commitments should be recognized as a cash equivalent.

#### (VII) Financial assets at fair value through profit or loss (FVTPL)

1. Financial assets not measured at amortized cost or at fair value through other comprehensive income.
2. On regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
3. Financial assets at fair value through profit or loss are initially recognized at fair value. Associated transaction costs are accounted in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.
4. Dividends income is recognized in profit or loss by the Group, when the right to receive dividends is established, it is probable that the economic benefits associated with the dividends will flow in and the amount of the dividends can be measured reliably.

#### (VIII) Financial assets at fair value through profit or loss (FVTOCI)

1. The Company may make an irrevocable choice at the time of initial recognition. The fair value change for investments in equity instruments that are not use for trading shall be listed in other comprehensive income.
2. On regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
3. The Group measures financial assets at fair value plus transaction costs on initial

recognition which are subsequently re-measured and stated at fair value. Fair value change for equity instruments shall be recognized in other comprehensive income. During derecognition, the accumulated profit or loss previously recognized under other comprehensive income, subsequently, shall not be re-classified to profit and loss but transferred to retained earnings. Dividends income is recognized in profit or loss by the Group, when the right to receive dividends is established, it is probable that the economic benefits associated with the dividends will flow in and the amount of the dividends can be measured reliably.

(IX) Financial assets at amortized cost

1. Refer to those that also meet the following criteria:
  - (1) Financial assets held under the operating model whose objective is to collect the contractual cash flows.
  - (2) The contractual terms of the financial asset generate cash flows at a specific date that are solely for the purpose of paying the principal and the interest on the outstanding principal amount.
2. Trade date accounting is used for financial assets at amortized cost in accordance with trading practice.
3. Financial assets are measured at their fair value plus transaction costs on initial recognition. Interest income and impairment losses are subsequently recognized over the circulation period using the effective interest method in accordance with the amortization procedure, and the gains or losses are recognized in profit or loss when derecognized.
4. The Group holds time deposits that do not meet the definition of cash equivalents. With the short-term nature, the effect of discounting is not significant, so they are measured as an investment.

(X) Accounts and notes receivable

1. Accounts and notes receivable are accounts and notes with unconditional right to receive the consideration for the transfer of goods or services in accordance with contractual agreements.
2. Short-term accounts and notes receivable with unpaid interest are measured at their original invoice amount because the effect of discounting is not significant.

(XI) Impairment of Financial Assets

At the end of each balance sheet date, for financial assets measured at amortized cost, an allowance for losses is provided for at the 12-month expected credit loss amount, taking into account all reasonable and probable information (including forward-looking information) for financial assets whose credit risk has not increased significantly since initial recognition. If the credit risk has increased significantly since initial recognition, the allowance for loss is measured at the expected credit loss over the period of time; for accounts receivable that do not contain significant financial components, the allowance for loss is measured at the expected credit loss over the duration.

(XII) De-recognition of financial assets

The Group de-recognizes financial assets when one of the following conditions is met:

1. The contractual right to receive the cash flow from the financial asset has expired.
2. The contractual rights to cash flows from financial assets have been transferred, along with the majority of the risks and rewards that were previously associated with ownership of the financial assets.
3. While there has been a transfer of contractual rights to cash flows generated by financial assets, no retention of control over said assets has occurred.

(XIII) Lease transactions for the lessors - Operating leases

Rental income from operating lease deducted any incentives given to the lessee was recognized as current profit and loss according to straight line method of amortization over the lease term.

(XIV) Inventories

Inventories are recorded on a perpetual basis under the perpetual inventory method. Costs are carried forward using the moving average method. Inventory at the end of the period is valued based on the lower amount between cost or net realizable value. The item-by-item approach is employed when evaluating the costs and net realizable value. Net realizable value is the balance of estimated selling price for the normal business process less the estimated cost of sales to complete the sales.

(XV) Using the Equity Method for Investment in Associates

1. Associates are those entities in which the Group has significant influence but no control over them; the Group normally holds, directly or indirectly, more than 20% of voting shares. The Group uses the equity method to account for its investments in associates, which are recognized at cost when acquired.
2. The Group recognizes the share of profit or loss accounted after acquiring an associate under current profit or loss and recognizes the share of other comprehensive income under other comprehensive income. When the Group's share of losses exceeds its interests (including any other unsecured receivables) in an associate's, the recognition of further losses is discontinued except to the extent the Group has legal or constructive obligation or has made payments on behalf of the associate.
3. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
4. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
5. All amounts previously recognized in other comprehensive income or loss related to the associates are accounted for on the same basis as if the Group had directly disposed of the related assets or liabilities, i.e., if a gain or loss previously recognized in other comprehensive income or loss would be reclassified to profit or loss upon disposal of the related assets or liabilities, the

gain or loss is reclassified from equity to profit or loss when control over the associates is lost. If there is a significant influence to the associate, transfer the amount previously recognized in the other comprehensive income proportionately according to the above-mentioned method.

(XVI) Property, plant, and equipment

1. Acquisition cost is the recording basis for property, plant and equipment at the time of acquisition and the related interest is capitalized during the period of purchase and construction.
2. The subsequent costs are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance expenses are charged to profit or loss during the financial period in which they are incurred.
3. Property, plant and equipment are measured at cost model subsequently. Land is not depreciated. Other property, plant and equipment are depreciated using the straight-line method over their estimated useful lives. If each property, plant and equipment consist of a significant part, it is recognized in depreciation separately.
4. The Group reviews the depreciation methods, useful lives and residual values at the end of each financial year. If the expected values of residual values and useful lives differ from previous estimates, or if there is a significant change in the expected pattern of consumption of future economic benefits embodied in an asset, the change is accounted for in accordance with IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change. The useful life of each asset item is as follows:

Buildings	2 years ~ 43 years
Computers and communication facilities	2 years ~ 8 years
Transportation equipment	5 years
Office equipment	5 years ~ 15 years
Leasehold improvement	5 years ~ 20 years
Other equipment	1 years ~ 27 years

5. Business facilities are listed as actual cost at the time of acquisition. Of which, uniforms and kitchenware are amortized on average 2~3 years. Remaining business facilities are transferred to expenses when there are actual damages occurred.

(XVII) Lessee's lease transactions - right-of-use assets/lease liabilities

1. On the days the lease assets are provided for use by the Group, these assets are recognized as the right-of-use assets and lease liabilities. When the lease contracts are short-term leases or leases for which the underlying asset is of low value, the lease payments are recognized as expenses during the lease period using the straight-line method.
2. Lease liabilities are recognized at the lease commencement date by discounting outstanding lease payments at the present value of the



Company's incremental borrowing rate, with lease payments consisting of:

- (1) Fixed rental payment deducts any rental incentive collectible.
- (2) Variable lease payments that depend on a particular index or rate.

Interest expense is provided for under the amortized cost method over the lease period using the interest method of subsequent adoption. Lease liabilities are reassessed and right-of-use assets are remeasured when there is a change in the lease period or lease payments that is not a contractual modification.

3. Right-of-use assets are recognized at cost at the inception date of the lease and the cost consists of:
  - (1) The original measurement amount of the lease liability;
  - (2) Any lease payments made on or before the commencement date;
  - (3) The estimated cost of dismantling, removing and restoring the subject asset to its location, or restoring the subject asset to the condition required by the terms and conditions of the lease.

Depreciation expense is provided on the earlier of the expiration of the useful life of the right-of-use asset or the expiration of the lease period, measured subsequently using the cost model. When a lease liability is reassessed, the right-of-use asset is adjusted for any re-measurement of the lease liability.

4. For lease modifications that reduce the scope of a lease, the lessee will reduce the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognize the difference between the reduced carrying amount and the re-measurements of the lease liabilities in the profit or loss.

(XVIII) Intangible assets

The Regent brand trademark and franchise for the Taiwan area are recognized at acquisition cost. As the brand trademark and franchise is regarded as continuing to generate cash inflow in the foreseeable future after evaluation, it is treated with uncertain useful life time, not for amortization and the impairment test is to be applied each year on a regular basis.

(XIX) Other non-current assets

They refer to office ornaments such as the purchases of works of art covering traditional Chinese paintings, print and antique which are recorded as cost. Normally, they are not accounted in depreciation but the costs are write-off during actual disposal.

(XX) Impairment of non-financial assets

1. The Group recognized impairment loss when there is an indication that the recoverable amount of an asset is less than its carrying amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to dispose of. When the circumstance for recognizing impairment loss for an asset in previous year does not exist or reduce, the impairment loss shall be reversed. The increased carrying amount in an asset due to the reversal of impairment loss shall not exceed the carrying amount of the asset after deducting depreciation or amortization if the impairment loss is not recognized.
2. The Group shall assess on a regular basis the recoverable amount of intangible assets with uncertain useful life. When the recoverable amount is

lower than the carrying amount of the asset, it shall be recognized as impairment loss.

(XXI) Loans

Refers to short-term borrowed from banks. The loans are measured at their fair value deducting transaction cost on initial recognition. Subsequently, any difference between the amount after the deduction of transaction cost and the redemption value, the resulting amount is recognized as interest expense in profit and interest over the circulation period using the effective interest method in accordance with the amortization procedure.

(XXII) Accounts and notes payable

1. Accounts and notes payable represent debts incurred for the purchase of raw materials, goods or services on credit and notes payable for operating and non-operating purposes.
2. Short-term accounts and notes payable with unpaid interest are measured at their original invoice amount because the effect of discounting is not significant.

(XXIII) Derecognition of financial liabilities

A financial liability is derecognized when the contract's obligation is either discharged or canceled or expired.

(XXIV) Provisions for liabilities

Decommissioning liabilities which are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. Future operating losses shall not be recognized in provisions.

(XXV) Employee benefits

1. Short-term employee benefits  
Short-term employee benefits are measured at the non-discounted amount expected to be paid and are recognized as expenses when the related services are rendered.
2. Retirement pension
  - (1) Defined contribution plan  
For the defined contribution plan, the amount to be contributed to the pension fund is recognized as pension cost on an accrual basis. Pre-paid contributions are recognized as assets to the extent that they are refundable in cash or reduce future payments.
  - (2) Defined benefit plan
    - A. The net obligation under a defined benefit plan is calculated by discounting the amount of future benefits earned by employees for current or past service and subtracting the fair value of plan assets from the present value of the defined benefit obligation as of the end of

each balance sheet date. Independent actuaries will calculate the net defined benefit obligation using the projected unit credit method every year. The discount rate is based on the market yields of the government bonds (at the balance sheet date) which is consistent with the currency and period of the balance sheet date and defined benefit plan.

B. Re-measurement of defined benefit plans is recognized in other comprehensive income during the period in which it occurs, and is presented in retained earnings.

3. Employees' payroll and bonus payable and director remuneration

Profit sharing remuneration for employees and for directors are recognized as expenses and liabilities when there is a legal or constructive obligation and the amount can be reasonably estimated. If the actual distribution amount differs from the estimated amount in subsequent resolutions, the difference is treated as a change in accounting estimate. The basis for the calculation of shares for the employee remuneration is the closing price of the shares one day before the day of the board resolution.

(XXVI) Income tax

1. Income tax expense is comprised of current and deferred tax. Income taxes are recognized in profit or loss, except for those related to items included in other comprehensive income or directly in equity, which are included in other comprehensive income or directly in equity, respectively.
2. The Group has computed the income tax for the current period complying with tax rates that have been enacted or substantively enacted by the balance sheet date in the countries where the Group operates and where taxable income has incurred. Management regularly evaluates the status of income tax returns with respect to applicable income tax regulations and, where applicable, estimates the income tax liability based on the expected tax payments to be made to the tax authorities. Additional income tax is levied on undistributed earnings in accordance with the Income Tax Act. Additional income tax expense on undistributed earnings is recognized when the actual distribution of earnings is approved by the shareholders in the year following the year in which the earnings are generated.
3. Deferred income tax is recognized using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts on the balance sheet. Deferred income tax liabilities generated from the initial recognition of goodwill is not recognized. The same goes to deferred income tax generated from the initial recognition of assets or liabilities in a transaction (excluding amalgamation of companies) and that the accounting profit or taxable income (tax loss) is not influenced at the time of transaction. Deferred income tax is provided on temporary differences incurred from investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is calculated using the tax rates (and tax laws) that are expected to apply when the deferred income tax asset is realized or the

deferred income tax liability is settled, if enacted or substantively enacted by the end of each balance sheet date.

4. Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized, and unrecognized and recognized deferred income tax assets are reassessed at the end of each balance sheet date.
5. Current income tax assets and current income tax liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities and there is an intention to settle the assets and settle the liabilities on a net basis or simultaneously. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities and when the deferred income tax assets and liabilities are incurred by the same taxable entity or by different taxable entities that intend to settle or realize the assets and liabilities simultaneously on a net basis.

(XXVII) Capital stock

Common stock is classified as equity. The incremental costs directly attributable to the issuance of new shares are recorded as a deduction from equity, net of income tax.

(XXVIII) Dividends

Dividends distributed to the Company's stockholders are recognized in the financial statements when the Company's stockholders resolve to distribute the dividends. Cash dividends distributed are recognized as a liability, while stock dividends distributed are recognized as stock dividends to be distributed and transferred to common stock on the base date of issuance of new shares.

(XXIX) Revenue

1. The Group mainly provides food and beverage services, guest accommodation, brand licensing, and related services. The excess of service rendered over receivables from customers is presented as a contract asset; oppositely, the excess of receivables from customers over service rendered is presented as a contract liability.
  - (1) The food and beverage service is recognized at the point of time when the product is sold to the customer. The transaction price of the sale of goods is collected immediately from customer at the point of time when the customer purchases products.
  - (2) Revenue is recognized for guest accommodation when service is provided to customers within the reporting period. Customers make payments based on agreed schedule.
  - (3) The brand licensing refers to the signing of contract between the Group and customer for the transfer of the Group's brand to the customer for usage. Since licensing can be differentiated, the licensing revenue is determined based on its nature for recognition during the licensing period. The calculation of the variable authorization revenue is based on a certain percentage of the customer's turnover and is subsequently recognized in revenue when sales occurred.
2. Financial components  
On the contract signed by the Group and the customer, the time interval

between the time the products or services are promised to be transferred to the customer and the customer payment time period has not exceed more than one year. Therefore, the Group has not adjusted transaction price to reflect the time value of money.

(XXX) Government grants

Government grants are not recognized at fair value until there is reasonable assurance that the company will comply with conditions attaching to them and that the subsidies will be received. If the nature of the government grants is to compensate the expenses incurred by the Group, such grants shall be recognized as the current profit or loss on a systematic basis during the period in which relevant expenses are incurred.

(XXXI) Operating segments

Information on the Group's operating segments and the internal management report provided to key operation decision-makers adopts a consistent method of reporting. The Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments. The Board of directors is identified as the Chief Operating Decision-Maker.

V. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The management has already exercised its judgements in deciding the accounting policy for adoption when the Group prepares this consolidated financial report. Accounting estimations and assumptions are also made for reasonable expectations of future events based on the situation at the time of the balance sheet date. They might be differences between the significant accounting estimations and assumptions made and the actual outcomes. Assessments and adjustments will be made constantly taking into account the historical experiences and other factors. These estimations and assumptions possess risk of resulting in material adjustments to the carrying amount of assets and liabilities in the next fiscal year. Please refer to the explanation below on the uncertainties to critical accounting judgments and significant estimates and assumptions:

(I) Significant judgments in the adoption of accounting policies

None of such situations.

(II) Significant accounting estimates and assumptions

1. Assessment of impairment of tangible and intangible assets (other than goodwill)

In the asset impairment assessment process, the Group relies on subjective judgment and relies on asset use patterns and industry characteristics to determine the individual cash flows, asset useful lives, and potential future revenues and expenses for specific groups of assets. Any change in estimates due to changes in economic conditions or in the Group's strategy could result in a material impairment in the future.

2. Realizability of deferred income tax assets

Deferred income tax assets are recognized to the extent that it is probable that sufficient future taxable income will be available to allow deductions for temporary differences. The assessment of the realizability of deferred income tax assets requires management to make significant accounting judgments and estimates, including assumptions about expected future sales revenue growth and profitability, availability of income tax credits, and tax planning. Any changes

in the global economic environment, industry environment and laws and regulations may result in significant adjustments to deferred income tax assets.

As of December 31, 2023, the Group recognized the deferred tax assets at NT\$38,115.

### 3. Calculation of net defined benefit liabilities

To calculate the present value of the defined benefit obligations, the Group must use judgment and estimates to determine the relevant actuarial assumptions as of the end of the reporting period, including discount rates and future salary growth rates. Any changes in actuarial assumptions could materially affect the amount of the Company's net defined benefit liabilities obligation.

As of December 31, 2023, the carrying amount of the Group's net defined benefit liabilities were NT\$59,241.

## VI. Note to Significant Accounting Items

### (I) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and revolving funds	\$ 15,979	\$ 12,882
Checking accounts	13,739	13,421
Demand deposit	275,512	271,866
Time deposit	-	5,000
Cash equivalents - Bond repurchase	<u>170,000</u>	<u>150,000</u>
Total	<u>\$ 475,230</u>	<u>\$ 453,169</u>

1. The Group maintains good credit with various financial institutions to divert credit risks. There are low expectations for the likelihood of contract breaches.
2. The bank deposit that the Group has to deposit into the performance guarantee trust account due to the standard contracts for gift certificates as of December 31, 2023 and 2022 are NT\$129,847 and NT\$166,031, recorded under "Financial assets at amortized cost - current". Please refer to Note VI (IV) and Note VIII for the details.
3. The Company's certificates of restricted use as of December 31, 2023 and 2022 were NT\$634 and NT\$481, respectively, recorded under "Financial assets at amortized cost - current". Please refer to Note VI (IV) and Note VIII.
4. As of December 31, 2023 and 2022, the Group held time deposits that are maturing at more than three months at NT\$564,356 and NT\$477,739, recorded under "Financial assets at amortized cost - current". Please refer to Note VI (IV) for details.
5. The Company's certificates of limited use as of December 31, 2023 and 2022 were NT\$55,842 and NT\$54,634, respectively, booked in "Financial assets at amortized cost - non-current". Please refer to Note VI (IV) and Note VIII.

(II) Financial asset measured at fair value through profit or loss - Current

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current item:		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 2,757,285	\$ 2,360,774
Valuation adjustment	9,963	19,187
Total	<u>\$ 2,767,248</u>	<u>\$ 2,379,961</u>

1. Financial assets measured at fair value through (loss) profit recognized in profit or loss, their statements are as follows:

<u>Item</u>	<u>2023</u>	<u>2022</u>
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	<u>\$ 982</u>	<u>\$ 8,047</u>

2. There have been no arrangements of the Group's financial assets at fair value through profit or loss pledged to others as collateral, please refer to Note VIII.
3. Credit risk information relating to financial assets at fair value through profit or loss (FVTPL). Please refer to Note XII (II).

(III) Financial assets measured at fair value through other comprehensive income - Non-current

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Noncurrent item:		
Equity instruments		
Private company stock	<u>\$ 500</u>	<u>\$ 500</u>

1. The Group chooses to classify strategic investments as financial assets at fair value through other comprehensive income. The fair value of these investments as of December 31, 2023 and 2022 are NT\$500 for both years.
2. The Group's maximum exposure to credit risk for financial assets measured at fair value through other comprehensive income, before consideration of associated collateral held or other credit enhancements as of December 31, 2023 and 2022 are NT\$500 for both years.

(IV) Financial assets at amortized cost

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current item:		
Restricted bank deposit - trust gift certificate	\$ 129,847	\$ 166,031
Time deposits maturing in more than three months	564,356	477,739
Pledged time certificate of deposit	634	481
Total	<u>\$ 694,837</u>	<u>\$ 644,251</u>
Noncurrent item:		
Pledged time certificate of deposit	<u>\$ 55,842</u>	<u>\$ 54,634</u>

1. Financial assets at amortized cost recognized in profit or loss, their statements are as follows:

	<u>2023</u>	<u>2022</u>
Interest income	<u>\$ 23,941</u>	<u>\$ 6,159</u>

2. The Group's maximum exposure to credit risk for financial assets measured at amortized costs, before consideration of associated collateral held or other credit enhancements was NT\$750,679 and NT\$698,885 as of December 31, 2023 and 2022, respectively.
3. There have been no arrangements of the Group's financial assets at amortized cost pledged to others as collateral, please refer to Note VIII.
4. Credit risk information relating to financial assets at amortized cost. Please refer to Note XII (II). The trading counterparts of the Group's investment on the certificates of deposit are financial institutions of excellent credit. The expected possibility of occurrence of violation is fairly low.

(V) Notes and accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	<u>\$ 14,923</u>	<u>\$ 9,121</u>
Accounts receivable	\$ 210,550	\$ 178,166
Less: Loss allowance	<u>( 1,186)</u>	<u>( 1,186)</u>
Total	<u>\$ 209,364</u>	<u>\$ 176,980</u>

1. Aging analysis of accounts receivables and notes receivables is stated below:

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	<u>\$ 210,550</u>	<u>\$ 14,923</u>	<u>\$ 178,166</u>	<u>\$ 9,121</u>



- The number of overdue days forms the basis of the aging analysis for the above.
2. As of December 31, 2023 and 2022 and January 1, 2022, the balance for the receivables (including notes receivable) for the contracts between the Group and customers are NT\$225,473, NT\$187,287, and NT\$168,055, respectively.
  3. The guarantee deposits for the accounts receivable that the Group held as of December 31, 2023 and 2022 are NT\$168,078 and \$170,351 respectively, recorded in "Other non-current liabilities".
  4. Without considering the collateral or other credit enhancements held, the maximum amount of exposure that best represents the credit risk of the notes receivable of the Group as of December 31, 2023 and 2022 was NT\$14,923 and NT\$9,121, respectively; can best represent the accounts receivable of the Group with the maximum credit risk exposure amount of NT\$209,364 and NT\$176,980 as of December 31, 2023 and 2022, respectively.
  5. Please refer to Note XII (II) for the related credit risk information of the notes and accounts receivable.

(VI) Inventories

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Food products	\$ 18,544	\$ 29,310
Beverages (including alcohol drinks)	8,984	8,019
Total	<u>\$ 27,528</u>	<u>\$ 37,329</u>

The Group's cost of inventories recognized in operating costs and operating expenses for 2023 and 2023 are NT\$1,256,700 and NT\$1,112,126, respectively.

(VII) Investments accounted for using equity method

(1) Details of the investments are as follows:

<u>Name of affiliated enterprise</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Regent Hospitality Worldwide Inc. (RHW)	<u>\$ 1,111,183</u>	<u>\$ 1,110,890</u>

2. Associates using the Equity Method, their shares as follows:

<u>Name of affiliated enterprise</u>	<u>2023</u>	<u>2022</u>
RHW	<u>\$ 22,015</u>	<u>\$ 12,786</u>

3. Basic information on the Group's associates as follows:

<u>Name of company</u>	<u>Main business venue</u>	<u>Ownership (%)</u>		<u>Measurement method</u>
		<u>December 31, 2023</u>	<u>December 31, 2022</u>	
RHW	Cayman Islands	49%	49%	Equity method

4. Summary of financial information on the Group's associates as follows:

Balance Sheet

	<u>RHW</u>	
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current assets	\$ 25,312	\$ 19,949
Non-current assets	446,936	446,936
Current liabilities	( 5,317)	( 1,135)
Non-current liabilities	( 3,224)	( 2,638)
Net total assets	<u>\$ 463,707</u>	<u>\$ 463,112</u>
Share of the net assets of the associates (Note)	<u>\$ 227,216</u>	<u>\$ 226,925</u>

Note: Differences in the carrying value and recognizable net assets are goodwill.

Statements of Comprehensive Income

	<u>RHW</u>	
	<u>2023</u>	<u>2022</u>
Revenue	<u>\$ 46,771</u>	<u>\$ 24,102</u>
Profit of (loss) for the period from continuing operations	<u>\$ 44,928</u>	<u>\$ 26,094</u>
Total comprehensive (loss) income for the current period	<u>\$ 44,928</u>	<u>\$ 26,094</u>
Dividends received from associates	<u>\$ 21,879</u>	<u>\$ 11,751</u>

5. RWH owns the Regent overseas brand trademark and franchise. The Group holds 49% equity of the company and joint management with IHG. Expand international market through collaboration with IHG in developing the Regent global hotel brand licensing business.
6. The Group does not have circumstances of using equity method investments to provide pledge.

(VIII) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Computers and communication facilities</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Business facilities</u>	<u>Leasehold improvement</u>	<u>Other equipment</u>	<u>Uncompleted engineering and equipment to be inspected</u>	<u>Total</u>
January 1, 2023										
Cost	\$ 273,472	\$ 2,647,150	\$ 30,295	\$ 18,024	\$ 22,008	\$ 175,108	\$ 453,639	\$ 1,240,769	\$ 12,931	\$ 4,873,396
Accumulated depreciation	-	( 1,805,855)	( 12,947)	( 8,327)	( 13,497)	-	( 202,440)	( 763,675)	-	( 2,806,741)
	<u>\$ 273,472</u>	<u>\$ 841,295</u>	<u>\$ 17,348</u>	<u>\$ 9,697</u>	<u>\$ 8,511</u>	<u>\$ 175,108</u>	<u>\$ 251,199</u>	<u>\$ 477,094</u>	<u>\$ 12,931</u>	<u>\$ 2,066,655</u>
<u>112 years</u>										
January 1	\$ 273,472	\$ 841,295	\$ 17,348	\$ 9,697	\$ 8,511	\$ 175,108	\$ 251,199	\$ 477,094	\$ 12,931	\$ 2,066,655
Additions	-	36,584	6,485	-	-	23,788	115	95,542	49,488	212,002
Disposal	-	( 454)	( 294)	-	( 123)	-	( 3,237)	( 791)	-	( 4,899)
Re-classification	-	17,500	114	1,095	142	2,243	400	32,376	( 50,532)	3,338
Depreciation expense	-	( 131,464)	( 6,972)	( 2,912)	( 1,376)	-	( 26,273)	( 131,208)	-	( 300,205)
Business facilities transferred to expenses	-	-	-	-	-	( 26,928)	-	-	-	( 26,928)
Reclassified to expenses	-	-	-	-	-	-	-	-	( 934)	( 934)
Net exchange difference	-	-	-	-	-	-	-	( 3)	-	( 3)
December 31	<u>\$ 273,472</u>	<u>\$ 763,461</u>	<u>\$ 16,681</u>	<u>\$ 7,880</u>	<u>\$ 7,154</u>	<u>\$ 174,211</u>	<u>\$ 222,204</u>	<u>\$ 473,010</u>	<u>\$ 10,953</u>	<u>\$ 1,949,026</u>
December 31, 2023										
Cost	\$ 273,472	\$ 2,505,149	\$ 31,316	\$ 12,409	\$ 17,714	\$ 174,211	\$ 437,859	\$ 1,094,462	\$ 10,953	\$ 4,557,545
Accumulated depreciation	-	( 1,741,688)	( 14,635)	( 4,529)	( 10,560)	-	( 215,655)	( 621,452)	-	( 2,608,519)
Total	<u>\$ 273,472</u>	<u>\$ 763,461</u>	<u>\$ 16,681</u>	<u>\$ 7,880</u>	<u>\$ 7,154</u>	<u>\$ 174,211</u>	<u>\$ 222,204</u>	<u>\$ 473,010</u>	<u>\$ 10,953</u>	<u>\$ 1,949,026</u>

	<u>Land</u>	<u>Buildings</u>	<u>Computers and communication facilities</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Business facilities</u>	<u>Leasehold improvement</u>	<u>Other equipment</u>	<u>Uncompleted engineering and equipment to be inspected</u>	<u>Total</u>
January 1, 2022										
Cost	\$ 273,472	\$ 2,681,790	\$ 27,223	\$ 17,070	\$ 25,933	\$ 168,547	\$ 455,304	\$ 1,557,947	\$ 11,588	\$ 5,218,874
Accumulated depreciation	-	( 1,758,585)	( 16,374)	( 8,305)	( 15,633)	-	( 177,903)	( 1,022,416)	-	( 2,999,216)
	<u>\$ 273,472</u>	<u>\$ 923,205</u>	<u>\$ 10,849</u>	<u>\$ 8,765</u>	<u>\$ 10,300</u>	<u>\$ 168,547</u>	<u>\$ 277,401</u>	<u>\$ 535,531</u>	<u>\$ 11,588</u>	<u>\$ 2,219,658</u>
<u>2022</u>										
January 1	\$ 273,472	\$ 923,205	\$ 10,849	\$ 8,765	\$ 10,300	\$ 168,547	\$ 277,401	\$ 535,531	\$ 11,588	\$ 2,219,658
Additions	-	41,066	10,414	4,495	177	27,621	285	88,410	21,568	194,036
Disposal	-	-	-	( 928)	-	-	-	-	-	( 928)
Re-classification	-	12,088	2,236	-	-	3,303	-	5,680	( 20,225)	3,082
Depreciation expense	-	( 135,064)	( 6,151)	( 2,635)	( 1,966)	-	( 26,487)	( 152,523)	-	( 324,826)
Business facilities transferred to expenses	-	-	-	-	-	( 24,363)	-	-	-	( 24,363)
Net exchange difference	-	-	-	-	-	-	-	( 4)	-	( 4)
December 31	<u>\$ 273,472</u>	<u>\$ 841,295</u>	<u>\$ 17,348</u>	<u>\$ 9,697</u>	<u>\$ 8,511</u>	<u>\$ 175,108</u>	<u>\$ 251,199</u>	<u>\$ 477,094</u>	<u>\$ 12,931</u>	<u>\$ 2,066,655</u>
December 31, 2022										
Cost	\$ 273,472	\$ 2,647,150	\$ 30,295	\$ 18,024	\$ 22,008	\$ 175,108	\$ 453,639	\$ 1,240,769	\$ 12,931	\$ 4,873,396
Accumulated depreciation	-	( 1,805,855)	( 12,947)	( 8,327)	( 13,497)	-	( 202,440)	( 763,675)	-	( 2,806,741)
Total	<u>\$ 273,472</u>	<u>\$ 841,295</u>	<u>\$ 17,348</u>	<u>\$ 9,697</u>	<u>\$ 8,511</u>	<u>\$ 175,108</u>	<u>\$ 251,199</u>	<u>\$ 477,094</u>	<u>\$ 12,931</u>	<u>\$ 2,066,655</u>

1. The Group is not in the circumstance of capitalizing on interest from property, plant and equipment for the years 2023 and 2022.
2. The Group uses property, plant and equipment for pledge. Please refer to Note VIII for more details.
3. There have been no significant changes to the depreciation and useful life of the Group's property, Plant and Equipment. Please refer to Note IV (XVI) of the 2023 consolidated financial statements.

(IX) Lease transactions - Lessee

1. Underlying assets of lease by the Group include buildings and operation venue. The lease period is from 1984 to 2035. All lease contracts are negotiated separately and include various terms and conditions. The information of the carrying value of the Group's right-of-use assets and the depreciation expenses recognized are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Book value</u>	<u>Book value</u>
Land	\$ 844,553	\$ 926,671
Building	<u>1,867,298</u>	<u>2,019,997</u>
Total	<u>\$ 2,711,851</u>	<u>\$ 2,946,668</u>

	<u>2023</u>	<u>2022</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Land	\$ 82,118	\$ 64,745
Building	<u>211,807</u>	<u>200,646</u>
Total	<u>\$ 293,925</u>	<u>\$ 265,391</u>

2. (1) The Company has signed the contract on establishing the rights of superficies with the Taipei City government in 1976. The retaining period is counted starting from the date of completion (1984) for the registration of the rights of superficies, for a period of 25 years, and extended further for another 25 year for a total of no more than 50 years. During the contract period, the Company shall pay rent to the Taipei City government each year according to a certain percentage of the announced land price. If the agreed rent price is insufficient to cover the land value tax payments to the Taipei City government, adjustments shall be made according to the actual land value tax amount paid each year. When the term expires, the Company shall not arbitrarily dismantle the fixed equipment attached to the building, and shall transfer both the building and the fixed equipment back to the Taipei City government unconditionally.
- (2) After paying the royalties of the superficies of Grand Formosa Taroko to the China Travel Service (Taiwan), set up the superficies with the National Property Administration, MOF. The expiration period is until 2029. The main contents of the contract include:
- A. Each year the land rent is calculated based on a specific percentage of the announced land price (except that if the land price announcement is unspecified, the land price shall be evaluated based on the property).
- B. When the setting up of superficies expires, all of the buildings above ground shall be unconditionally owned by the National Property Administration, MOF.
3. The added right-of-use assets for the Group in 2023 and 2022 are NT\$93,204 and NT\$59,536, respectively.

4. Information on profit and loss item relating to the lease contract is as follows:

	<u>2023</u>		<u>2022</u>
<u>Items with influence to profit and loss for the current period</u>			
Interest expense on lease liabilities	\$ 48,213	\$	58,503
Expense on short-term lease contracts	5,720		5,393
Expenses of low value leased assets	16		312
Variable lease payments	43,658		20,146
Lease modification losses (gains)	197	(	151)

5. The total lease cash outflow of the Group in 2023 and 2022 are NT\$362,820 and NT\$296,315 respectively.

6. Impact of change of lease payment to lease liabilities. Please refer to Note IX (II) 3.

7. The Group adopts the practical expedient of the COVID-19-Related Rent Concessions. The profits of \$0 and \$32,142 from lease payment changes generated by rent concessions in 2023 and 2022 are recognized in the deduction of depreciation expense for right-of-use assets.

(X) Lease transactions - Lessor

1. The Company leases various assets including underground stores and parking lots. Rental contracts are typically made for periods of 2019 to 2028. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

2. The profits recognized by the Group based on the operating lease contracts in 2023 and 2022 are as follows:

	<u>2023</u>		<u>2022</u>
Rental income	\$ 236,773	\$	223,025
Rent revenue recognized as variable lease payments	\$ 382,966	\$	323,555

3. Analysis on the expiration dates of the lease payments for the operating leases are as follows:

	<u>December 31, 2023</u>		<u>December 31, 2022</u>
Not later than 1 year	\$ 270,874	\$	217,772
More than 1 year but less than 2 years	175,124		149,986
More than 2 year but less than 3 years	119,750		81,987
More than 3 year but less than 4 years	94,651		40,505
More than 4 years but less than 5 years	47,229		24,480
More than 5 years	-		8,788
	<u>\$ 707,628</u>	\$	<u>523,518</u>

(XI) Intangible assets

	<u>Trademark, franchise and brand management rights</u>	
	<u>2023</u>	<u>2022</u>
	<u>Cost</u>	<u>Cost</u>
January 1 and December 31	<u>\$ 20,923</u>	<u>\$ 20,923</u>

The Company has acquired the Regent trademark and franchise in Taiwan Region in June 2018. Its scope of use is as follows:

1. The Company owns the perpetual license for Regent in Taiwan region and it is allowed to expand marketing activities for Regent Taiwan overseas. IHG is also allowed to promote Regent business in Taiwan.
2. The Company is not permitted to use the Regent trademark in its overseas marketing, nor for use or licensing of the trademark.
3. The Company can only use Regent Taipei trademark in related retail marketing channel in Taiwan and overseas.
4. For the name of the Regent domain name, the Company is limited to using only Regent Taiwan.com, Regent Taipei.com or Regent xxxx.com.tw.
5. If the Company has new Regent Hotel establishments in the future, it shall follow the brand standard established by IHG in addition to that of Regent Taipei.

(XII) Other non-current assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Refundable deposits	\$ 79,363	\$ 90,177
Long term receivables	-	393,685
Others	<u>5,610</u>	<u>6,211</u>
Total	<u>\$ 84,973</u>	<u>\$ 490,073</u>

Long term receivables are mainly receivables for the Regent overseas brand trademark and franchise to IHG and the sale of some of the subsidiaries of Regent Global. The amount is US\$26,200 thousand. On January 28, 2021, US\$13,100 thousand (equivalent to NT\$373,874) are collected. After considering the time value for the remaining amount at US\$13,078 thousand (equivalent to NT\$401,632), the amount is expected to be collected in January 2024 and has been transferred to other receivables.

(XIII) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2023</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	<u>\$ 86,714</u>	1.86%	Millerful no.1 REIT - Beneficiary certificates
<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	<u>\$ 86,714</u>	1.68%	Millerful no.1 REIT - Beneficiary certificates

Regarding the collateral provided by the Group's short-term borrowings, please refer to the details in Note VIII.

(XIV) Short-term notes and bills payable

Regarding the collateral provided by the Group's short-term notes and bills payable, please refer to the details in Note VIII.

(XV) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Salary and wages payable	\$ 383,138	\$ 342,250
Collection payable (Note)	367,280	192,285
Sales tax payable	49,627	35,974
Equipment payable	32,469	39,167
Insurance expenses payable	27,590	83,679
Property tax payable	18,210	18,375
Advertisement expense payable	13,867	11,439
Royalty payable	11,392	6,889
Utilities expense payable	10,071	8,839
Retirement pension payable	9,730	29,144
Service charge payable	7,200	4,529
Others	<u>203,230</u>	<u>163,192</u>
Total	<u>\$ 1,133,804</u>	<u>\$ 935,762</u>

Note: Mainly refers to the collections that need to be paid after opening the invoice on behalf of the tenants of the shopping mall and adjusting the commission amount.



(XVI) Lease liabilities

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Lease liabilities - current	<u>\$ 252,902</u>	<u>\$ 257,687</u>
Lease liabilities - non-current	<u>\$ 2,554,554</u>	<u>\$ 2,755,678</u>

Total amount for the interest expense and cash outflow for the current period, please refer to Note VI (IX).

(XVII) Retirement pension

1. (1) In accordance with the Labor Standards Act, the Company and its domestic subsidiaries have a defined benefit retirement plan that applies to all regular employees' years of service prior to the implementation of the Labor Standards Act on July 1, 2005, and to employees who elect to continue to be subject to the Labor Standards Act after the implementation of the Labor Standards Act for subsequent years of service. For employees who meet the retirement criteria, pension payments are calculated based on the years of service and the average salary for the six months prior to retirement, with two bases for each year of service up to and including 15 years and one base for each year of service in excess of 15 years, subject to a maximum accumulation limit of 45 bases. The Company and domestic subsidiaries deposit a monthly pension fund of 2% of salaries and wages to a dedicated account in the Bank of Taiwan in the name of the Supervisory Committee of Labor Retirement Reserve. Before the end of each year, the Company and domestic subsidiaries estimate the balance in the dedicated account of the Labor Retirement Reserve. If the balance is not sufficient to pay the aforementioned amount of pension benefits to employees eligible for retirement in the following year, the Company and domestic subsidiaries will make a lump-sum appropriation for the difference by the end of March of the following year.

(2) Amounts recognized in the balance sheet are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligation	(\$ 160,339)	(\$ 161,997)
Fair value of plan assets	<u>101,098</u>	<u>97,998</u>
Net defined benefit liabilities	<u>(\$ 59,241)</u>	<u>(\$ 63,999)</u>

(3) Changes in the net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities</u>
2023			
Balance as of January 1	(\$ 161,997)	\$ 97,998	(\$ 63,999)
Service cost for the current period	( 2,734)	-	( 2,734)
Interest (expenses) revenues	<u>( 2,106)</u>	<u>1,274</u>	<u>( 832)</u>
	<u>( 166,837)</u>	<u>99,272</u>	<u>( 67,565)</u>
Re-measurements:			
	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities</u>
Impacts from change in financial assumptions	( 1,187)	-	( 1,187)
Experience adjustments	<u>34</u>	<u>479</u>	<u>513</u>
	<u>( 1,153)</u>	<u>479</u>	<u>( 674)</u>
Allocate pensions	-	8,998	8,998
Retirement pension payable	<u>7,651</u>	<u>( 7,651)</u>	<u>-</u>
Balance as of December 31	<u>(\$ 160,339)</u>	<u>\$ 101,098</u>	<u>(\$ 59,241)</u>
2022			
Balance as of January 1	(\$ 190,170)	\$ 97,528	(\$ 92,642)
Service cost for the current period	( 2,590)	-	( 2,590)
Interest (expenses) revenues	<u>( 1,331)</u>	<u>683</u>	<u>( 648)</u>
	<u>( 194,091)</u>	<u>98,211</u>	<u>( 95,880)</u>
Re-measurements:			
Impacts from change in financial assumptions	7,843	-	7,843
Experience adjustments	<u>3,129</u>	<u>8,162</u>	<u>11,291</u>
	<u>10,972</u>	<u>8,162</u>	<u>19,134</u>
Allocate pensions	-	12,747	12,747
Retirement pension payable	<u>21,122</u>	<u>( 21,122)</u>	<u>-</u>
Balance as of December 31	<u>(\$ 161,997)</u>	<u>\$ 97,998</u>	<u>(\$ 63,999)</u>

(4) The Bank of Taiwan was commissioned to manage the Fund of the Group's defined benefit pension in accordance with Article 6 of the "Regulations for

Revenues, Expenditures, Safeguarding and Utilization of the Labor Retirement Fund” (i.e. Deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate and its securitization products, and so forth) within the proportion and amount scope of the items established in the annual investment and utilization plan for the fund. Related operations situations are monitored and supervised by the Labor Pension Fund Supervisory Committee. The minimum annual earnings to be distributed from the fund shall not be less than the earnings calculated based on the two-year time deposit rate of the local bank. If there is any deficiency, the national treasury shall make up the deficiency after approval by the competent authority. The Group has no right to participate in managing and operating the fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 Paragraph 142. The composition of fair value of the fund’s total assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(5) Summary of the principal actuarial assumptions used is as follows:

	<u>2023</u>	<u>2022</u>
Discounted rate	1.20%	1.30%
Increase rate of future salaries	2.00% ~ 3.00%	2.00% ~ 3.00%

Estimations for the assumptions of future mortality rates for the years ended December 31, 2023 and 2022 were based on the sixth empirical life tables of the preset Taiwan life insurance industry.

The present value of defined benefit obligation is impacted by the change in the main actuarial assumption adopted. Its analysis is as follows:

	<u>Discounted rate</u>		<u>Increase rate of future salaries</u>	
	<u>Increase</u> 1%	<u>Decrease</u> 1%	<u>Increase</u> 1%	<u>Decrease</u> 1%
December 31, 2023				
Effects of present value of defined benefit obligation	<u>(\$ 11,762)</u>	<u>\$ 12,138</u>	<u>\$ 10,480</u>	<u>(\$ 10,223)</u>
December 31, 2022				
Effects of present value of defined benefit obligation	<u>(\$ 12,362)</u>	<u>\$ 12,772</u>	<u>\$ 11,046</u>	<u>(\$ 10,762)</u>

The above sensitivity analysis is performed to analyze the impacts brought about by the change of only one assumption under the situation that other assumptions remain unchanged. In practice, many changes in assumptions are very likely to be correlated. The method of analyzing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(6) Expected contributions to the defined benefit pension plans of the Group for

the year ending December 31, 2024 amounts to NT\$3,566.

- (7) As of December 31, 2023, the weighted average duration interval of the pension plan was 8 to 9 years. Analysis of maturity of pension payment as follows:

	<u>December 31, 2023</u>
In the coming 1 year	\$ 29,076
In the coming 2 year	10,544
In the coming 3 year	11,005
In the coming 4 years	11,088
In the coming 5 year	9,218
In the coming 6~10 years	<u>48,816</u>
	<u>\$ 119,747</u>

2. (1) Effective July 1, 2005, the Company and domestic companies have a defined contribution pension plan under the Labor Pension Act, which is applicable to the Company's domestic employees. The Company and domestic companies make monthly contributions of 6% of salary to the employees' personal accounts at the Bureau of Labor Insurance for the employees who choose to be subject to the labor pension scheme under the Labor Pension Act. The employees' pensions are paid in the form of monthly pensions or lump-sum pensions depending on the amount of the employees' individual pension accounts and accumulated earnings.
- (2) Subsidiaries in Mainland China adopts the pension insurance system according to the regulations of the governments of the People's Republic of China. Each month, a certain percentage of the total salary for the local employee is allocated to the pension insurance system. As of December 31, 2023 and 2022, the allocation percentage made was 20%. The pensions of each employee are managed, coordinated and arranged by the government. The Group does not have further obligations beside making monthly allocations.
- (3) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2023 and 2022 were NT\$63,905 and NT\$55,143 respectively.
3. Silks Global Group adopts the defined contribution plan. Based on the local government regulations, the Group allocates pension on a monthly basis and record it in current expenses. The pension costs under the defined contribution pension plans of the aforesaid company for the years ended December 31, 2023 and 2022 were NT\$29 and NT\$69, respectively.
4. Silks has not hired employees formally. Thus, there is no establishment of the retirement rules.

(XVIII) Other non-current liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Net defined benefit liabilities	\$ 59,241	\$ 63,999
Guarantee deposits received	168,078	170,351
Tax payable	23,662	95,707
Decommissioning costs	<u>24,538</u>	<u>32,450</u>
Total	<u>\$ 275,519</u>	<u>\$ 362,507</u>

1. Details of the net defined benefit liabilities, please refer to Note VI (XVII).
2. The guarantee deposits is mainly the collection of lease deposit of the shopping street tenants and the membership storage amount.
3. Tax payables are that the National Taxation Bureau, Ministry of Finance supporting taxpayer from the impacts of the COVID-19 pandemic, providing payment installments for those maturing in more than one year of the 2020 and 2021 profit-seeking enterprise income tax, 2021 business tax, and the 2021 and 2022 house tax.
4. According to the announced policy and suitable contract or regulations requirements, the Group has obligations for some of the property, plant and equipment in their dismantling, removal or restoring the location. Thus, the costs for their dismantling, removal or restoring the location are recognized in the provisions for liabilities (decommissioning liabilities).

Changes to decommissioning costs:

	<u>Decommissioning costs</u>	
	<u>2023</u>	<u>2022</u>
Balance as of January 1	\$ 32,450	\$ 32,450
Amount actually paid in the current period	( 639)	-
Reclassified to other income in current period	<u>( 7,273)</u>	<u>-</u>
Balance as of December 31	<u>\$ 24,538</u>	<u>\$ 32,450</u>

(XIX) Capital stock

1. As of December 31, 2023, the Company's authorized capital is NT\$5,000,000 for 500,000 thousands of shares. The face value is NT\$10 and it can be issued by installments.
2. Adjustments to the number of the Company's outstanding common stock are as follows:

	<u>2023</u>	<u>2022</u>
January 1 and December 31	<u>127,403 thousand shares</u>	<u>127,403 thousand shares</u>

(XX) Capital surplus

Pursuant to the Company Act, capital surplus arising from the income derived from the issuance of new shares at a premium and the income from endowments received by the company can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. In addition, the Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. The company shall not use the capital reserve to make good its capital loss, unless the surplus reserve is insufficient to make good such loss.

(XXI) Retained earnings

1. Each quarter when there are earnings after settlement, the following shall be observed for the appropriation of earnings. The estimation shall first be made and preserve the amount for tax payable, set aside for covering accumulated losses, and estimate the amount for employee and director remuneration, followed by allocating 10% as legal reserve. However, when legal reserve has accumulated to reach the amount of the paid-in capital, it is excluded, and shall allocate or reverse special reserve according to the laws or regulations of competent authority. If there are earnings remaining, the remainder and the earnings from the previous quarter shall become the undistributed amount as shareholders' dividend. The Board will prepare the proposal for earnings distribution. When it is to be distributed in the form of new shares, the matter shall be resolved by the shareholders' meeting. When distributing in the form of cash, the distribution is to be determined by the Board meeting resolution.

If there is earnings for the annual settlement, they have to be allocated for tax payments and make up for the losses from past years. The remainder to be appropriated as follows:

- (1) Allocate 10% as legal reserve. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply.
- (2) When necessary, allocate or reversal of special reserve according to the laws and regulations.

If there are earnings, its balance plus the accumulated undistributed earnings from the previous quarter shall be proposed by the Board for its appropriation. When the distribution is in issuance of new shares, the proposal shall be resolved by the shareholders' meeting on the distribution. When distribution is in the form of cash, it must be resolved in a board meeting with more than two-thirds of the board present, voted in favor by more than half of attending directors, and reported in the upcoming shareholders' meeting.

In accordance with Article 241 of the Company Act, the Company shall allocate in whole or in parts the legal reserve and capital surplus according to the original shareholders proportion and when distributing new shares or cash, it shall proceed according to the preceding method resolved for distribution.

2. The Company's lifecycle is in a stable growth stage and will observe the changes to the internal and external environment in seek of sustainable

operation and long term development. It will consider the company's future capital expense budget and need while sustaining the stability of dividends distribution. During each quarter and every year when the Company distributes its cash dividends, it allocates more than 50% of the accumulated distributable earnings as shareholders bonus. Of which cash dividends must not be lower than 10% of the shareholders bonus.

3. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
4. (1) The 2021 dividends of NT\$1,578,845 were distributed in cash by the Board of Directors on March 23, 2022 and resolved by the shareholders' meeting on June 14, 2022 as follows:

	<u>Amount</u>	<u>2021</u> <u>Dividend per</u> <u>share (NT\$)</u>
Legal reserve	\$ 12	
Allocated special reserve	110,471	
Cash dividends	<u>1,578,845</u>	\$ 12.3925
Total	<u>\$ 1,689,328</u>	

- (2) The 2022 dividends of NT\$1,147,559 were distributed in cash by the Board of Directors' resolution on March 20, 2023. The 2022 earnings distribution proposal on June 15, 2023 was also approved as follows:

	<u>Amount</u>	<u>2022</u> <u>Dividend per</u> <u>share (NT\$)</u>
Reversal of special reserves	(\$ 152,377)	
Cash dividends	<u>1,147,559</u>	\$ 9.0073
Total	<u>\$ 995,182</u>	

- (3) The 2023 dividends of NT\$1,450,116 were distributed in cash by the Board of Directors' resolution on March 11, 2024. The 2023 earnings distribution proposal was also approved as follows:

	<u>Amount</u>	<u>2023</u> <u>Dividend per</u> <u>share (NT\$)</u>
Allocated special reserve	\$ 20,926	
Cash dividends	<u>1,450,116</u>	\$ 11.3821
Total	<u>\$ 1,471,042</u>	

The aforesaid 2023 Appropriation of Earnings has not yet been resolved by the shareholders' meeting as of March 11, 2024.

(XXII) Operating revenue

	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers		
Food and beverage service revenue	\$ 3,313,245	\$ 2,829,445
Guest-service revenue	2,504,117	1,896,333
Technical service revenue	203,336	214,884
Other service revenue	124,605	110,081
Subtotal	<u>6,145,303</u>	<u>5,050,743</u>
Lease revenue	<u>619,739</u>	<u>546,580</u>
Total	<u>\$ 6,765,042</u>	<u>\$ 5,597,323</u>

Note: Other service revenue is listed in Note XIV (III) within the food and beverage department, guest room department, leasing department, and technical service and operation management department.

1. Revenue from contracts with customers

The Group's revenue is derived from the provision of products and services which are gradually transferred as time passes and at a certain point in time. The revenue can be sub-divided into the following major product lines and geographical regions:

<u>2023</u>	<u>Taiwan</u>				<u>Overseas region</u>	<u>Total</u>
	<u>Food and beverage service</u>	<u>Guest-service</u>	<u>Technical service</u>	<u>Other service</u>	<u>Technical service</u>	
Revenue	\$ 3,313,833	\$ 2,509,646	\$ 196,539	\$ 124,605	\$ 9,896	\$ 6,154,519
Revenue from internal transactions	( 588)	( 5,529)	( 3,099)	-	-	( 9,216)
Revenue from contracts with external customers	<u>\$ 3,313,245</u>	<u>\$ 2,504,117</u>	<u>\$ 193,440</u>	<u>\$ 124,605</u>	<u>\$ 9,896</u>	<u>\$ 6,145,303</u>

<u>2022</u>	<u>Taiwan</u>				<u>Overseas region</u>	<u>Total</u>
	<u>Food and beverage service</u>	<u>Guest-service</u>	<u>Technical service</u>	<u>Other service</u>	<u>Technical service</u>	
Revenue	\$ 2,829,928	\$ 1,902,370	\$ 188,891	\$ 110,081	\$ 29,092	\$ 5,060,362
Revenue from internal transactions	( 483)	( 6,037)	( 3,099)	-	-	( 9,619)
Revenue from contracts with external customers	<u>\$ 2,829,445</u>	<u>\$ 1,896,333</u>	<u>\$ 185,792</u>	<u>\$ 110,081</u>	<u>\$ 29,092</u>	<u>\$ 5,050,743</u>

2. Contract assets and contract liabilities



The Group does not have related contract assets recognized as customer contract revenue. The Group recognized the contract liabilities as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities:			
Contract liabilities - Advance receipts - Current	\$ 615,853	\$ 667,670	\$ 725,265
Contract liabilities - Advance receipts - Non-Current	<u>8,229</u>	<u>9,891</u>	<u>8,493</u>
Total	<u>\$ 624,082</u>	<u>\$ 677,561</u>	<u>\$ 733,758</u>

Contract liabilities at beginning period recognized as revenue in current period

	<u>2023</u>	<u>2022</u>
Contract liabilities balance at beginning of period recognized as revenue in current period		
Advance receipts - Current	<u>\$ 420,769</u>	<u>\$ 434,937</u>

(XXIII) Interest income

	<u>2023</u>	<u>2022</u>
Income of interest from financial assets measured at amortized cost	\$ 23,941	\$ 6,159
Other interest income	19,531	14,330
Interests of long term receivables	8,060	7,558
Interest from cash in the bank	<u>7,021</u>	<u>2,005</u>
Total	<u>\$ 58,553</u>	<u>\$ 30,052</u>

(XXIV) Other non-interest income

	<u>2023</u>	<u>2022</u>
Government grants revenue	\$ 11,071	\$ 11,799
Transfer of overdue accounts payable to other revenue	11,547	3,584
Others	<u>17,104</u>	<u>36,633</u>
Total	<u>\$ 39,722</u>	<u>\$ 52,016</u>

To assist the Tourist Hotel affected by the COVID-19 pandemic, the Tourism

Bureau, MOTC and the Department of Commerce, MOEA provides the necessary working liabilities, employee salary and wages grant, and wedding catering subsidies. The Group has in 2023 and 2022 recognized related government grant revenue at NT\$0 and NT\$9,000, respectively.

(XXV) Other gains

	<u>2023</u>		<u>2022</u>
Compensation for losses	(\$ 24,000)	\$	-
Net gain on financial assets at fair value through profit or loss	982		8,047
Gain on liquidated subsidiary	914		-
Gains (losses) on disposal of property, plant and equipment	748)		358
Gain (loss) on lease modification	( 197)		151
Net foreign exchange gain	19,722		40,853
Miscellaneous expenditure	( 57)	(	130)
Total	<u>(\$ 3,384)</u>	\$	<u>49,279</u>

(XXVI) Finance cost

	<u>2023</u>		<u>2022</u>
Interest expense:			
Lease liabilities	\$ 48,213	\$	58,503
Bank borrowings	1,555		1,162
Others	1,590		1,318
Total	<u>\$ 51,358</u>	\$	<u>60,983</u>

(XXVII) Additional information other than expenses by nature

	<u>Cost</u>	<u>2023</u> <u>Expenses</u>	<u>Total</u>
Employee benefit expense	\$ 1,467,928	\$ 294,151	\$ 1,762,079
Depreciation expense of property, plant and equipment	285,137	15,068	300,205
Depreciation expense of right-of-use assets	293,674	251	293,925
	<u>\$ 2,046,739</u>	<u>\$ 309,470</u>	<u>\$ 2,356,209</u>

2022

	<u>Cost</u>	<u>Expenses</u>	<u>Total</u>
Employee benefit expense	\$ 1,260,211	\$ 304,067	\$ 1,564,278
Depreciation expense of property, plant and equipment	311,315	13,511	324,826
Depreciation expense of right-of-use assets	<u>265,177</u>	<u>214</u>	<u>265,391</u>
	<u>\$ 1,836,703</u>	<u>\$ 317,792</u>	<u>\$ 2,154,495</u>

(XXVIII) Employee benefit expense

	<u>2023</u>		
	<u>Cost</u>	<u>Expenses</u>	<u>Total</u>
Wages and salaries	\$ 1,233,389	\$ 243,283	\$ 1,476,672
Labor and health insurance fees	123,778	21,562	145,340
Pension costs	57,241	10,259	67,500
Other personnel expenses	<u>53,520</u>	<u>19,047</u>	<u>72,567</u>
	<u>\$ 1,467,928</u>	<u>\$ 294,151</u>	<u>\$ 1,762,079</u>

	<u>2022</u>		
	<u>Cost</u>	<u>Expenses</u>	<u>Total</u>
Wages and salaries	\$ 1,060,707	\$ 254,404	\$ 1,315,111
Labor and health insurance fees	107,916	21,634	129,550
Pension costs	47,657	10,793	58,450
Other personnel expenses	<u>43,931</u>	<u>17,236</u>	<u>61,167</u>
	<u>\$ 1,260,211</u>	<u>\$ 304,067</u>	<u>\$ 1,564,278</u>

1. According to the Company's Articles of Association, the Company shall appropriate 5% as profit sharing remuneration for employees and no more than 0.5% as profit sharing remuneration for directors of the remainder of the profit for the year, if any, after deducting the accumulated losses from the profit for the current year.
2. The estimated amounts for the Company's employee remuneration in 2023 and 2022 are NT\$91,606 and NT\$58,718, respectively. The estimated amounts for directors are NT\$9,161 and NT\$5,872. The aforementioned amounts are accounted under the wages and salaries title. The estimation uses 5% and 0.5% based on the profits situation for the year 2023. The Board has resolved for the actual distribution to be NT\$91,606 and NT\$9,161, of which the employee remuneration is to be distributed in the form of cash. The Board has resolved that the amount for the 2022 employee and director remuneration and of that recognized in the 2022 financial report to be consistent. The aforementioned remuneration to employees and directors will be paid in cash. As of December 31, 2023, the actual distribution of employee

remuneration for 2022 has not yet been made.

Related information on the employee and director remuneration passed by the Company's Board of Directors can be obtained from the MOPS website.

(XXIX) Income tax

1. Income tax expense

(1) Components of income tax expense:

	<u>2023</u>	<u>2022</u>
Income tax for current period:		
Income tax generated for the current period	\$ 389,677	\$ 271,059
Surtax on undistributed retained earnings	-	21,134
Overestimation of income tax for previous years	( 2,994)	( 1,049)
Total income tax for current period	<u>386,683</u>	<u>291,144</u>
Deferred tax:		
Origin and reversal of temporary differences	( 4,671)	1,208
Tax loss	-	( 3,867)
Total deferred tax	<u>( 4,671)</u>	<u>( 2,659)</u>
Income tax expense	<u>\$ 382,012</u>	<u>\$ 288,485</u>

(2) Income tax amount related to other comprehensive income:

	<u>2023</u>	<u>2022</u>
Re-measurement of defined benefit obligation	<u>(\$ 39)</u>	<u>(\$ 3,550)</u>

2. Reconciliation between income tax expense and accounting profit

	<u>2023</u>	<u>2022</u>
Income tax calculated based on profit before tax and statutory tax rate	\$ 381,737	\$ 260,838
Income tax effects of adjusted items under taxation laws	3,269	7,562
Overestimation of income tax for previous years	( 2,994)	( 1,049)
Surtax on undistributed retained earnings	-	21,134
Income tax expense	<u>\$ 382,012</u>	<u>\$ 288,485</u>

3. Various deferred tax assets or liabilities amount generated from temporary differences and tax loss are as follows:

	<u>January 1</u>	<u>Included in profit or loss</u>	<u>2023 Recognized to other comprehensive income</u>	<u>Re-classification</u>	<u>December 31</u>
Deferred tax assets:					
-Temporary differences:					
Deferred revenue	\$ 3,256	(\$ 283)	\$ -	\$ -	\$ 2,973
Setting up superfices	1,635	( 99)	-	-	1,536
Other payables IFRS16	1,056	4,769	-	-	5,825
Effects of recognition	1,467	( 125)	-	-	1,342
Unrealized exchange loss	3,465	6	-	-	3,471
Others	1,924	583	-	-	2,507
-Tax loss	<u>19,554</u>	<u>907</u>	<u>-</u>	<u>-</u>	<u>20,461</u>
Subtotal	<u>32,357</u>	<u>5,758</u>	<u>-</u>	<u>-</u>	<u>38,115</u>
Deferred tax liabilities:					
-Temporary differences:					
Pension liabilities	( 699)	( 1,087)	( 39)	-	( 1,825)
Subtotal	<u>( 699)</u>	<u>( 1,087)</u>	<u>( 39)</u>	<u>-</u>	<u>( 1,825)</u>
Total	<u>\$ 31,658</u>	<u>\$ 4,671</u>	<u>(\$ 39)</u>	<u>\$ -</u>	<u>\$ 36,290</u>

	<u>January 1</u>	<u>Included in profit or loss</u>	<u>2022 Recognized to other comprehensive income</u>	<u>Re-classification</u>	<u>December 31</u>
Deferred tax assets:					
-Temporary differences:					
Pension liabilities	\$ 4,753	(\$ 1,902)	(\$ 3,550)	\$ 699	\$ -
Deferred revenue	2,800	456	-	-	3,256
Setting up superfices	1,735	( 100)	-	-	1,635
Other payables IFRS16	1,122	( 66)	-	-	1,056
Effects of recognition	1,190	277	-	-	1,467
Unrealized exchange loss	3,485	( 20)	-	-	3,465
			<u>2022</u>		
	<u>January 1</u>	<u>Included in</u>	<u>Recognized to other</u>	<u>Re-</u>	<u>December 31</u>

	<u>profit or loss</u>		<u>comprehensive income</u>	<u>classification</u>	
Others	1,777	147	-	-	1,924
-Tax loss	<u>15,687</u>	<u>3,867</u>	<u>-</u>	<u>-</u>	<u>19,554</u>
Subtotal	<u>32,549</u>	<u>2,659</u>	<u>( 3,550)</u>	<u>699</u>	<u>32,357</u>
Deferred tax liabilities:					
-Temporary differences:					
Pension liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 699)</u>	<u>( 699)</u>
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 699)</u>	<u>( 699)</u>
	<u>\$</u>				
Total	<u>32,549</u>	<u>\$ 2,659</u>	<u>(\$ 3,550)</u>	<u>\$ -</u>	<u>\$ 31,658</u>

4. Expiration dates of loss carryforward unused by the subsidiaries and amounts of unrecognized deferred tax assets are as follows:

<u>December 31, 2023</u>					
<u>Year of event</u>	<u>Number of filings/approvals</u>	<u>Amount not deducted</u>	<u>Unrecognized deferred tax assets</u>	<u>The final year in which the tax deduction is applied</u>	
2020	\$ 36,251	\$ 36,251	\$ -	2030	
2021	42,183	42,183	-	2031	
2022	19,336	19,336	-	2032	
2023	<u>4,537</u>	<u>4,537</u>	<u>-</u>	<u>2033</u>	
	<u>\$ 102,307</u>	<u>\$ 102,307</u>	<u>\$ -</u>		

<u>December 31, 2022</u>					
<u>Year of event</u>	<u>Number of filings/approvals</u>	<u>Amount not deducted</u>	<u>Unrecognized deferred tax assets</u>	<u>The final year in which the tax deduction is applied</u>	
2020	\$ 36,251	\$ 36,251	\$ -	2030	
2021	42,183	42,183	-	2031	
2022	<u>19,336</u>	<u>19,336</u>	<u>-</u>	<u>2032</u>	
	<u>\$ 97,770</u>	<u>\$ 97,770</u>	<u>\$ -</u>		

5. The Group has not recognized the taxable temporary differences relating to the Company's investments of certain subsidiaries in deferred tax liabilities. As of December 31, 2023 and 2022, the temporary differences amount of the deferred tax liabilities that are unrecognized are NT\$769,161 and NT\$765,146.
6. According to the Enterprise Income Tax Law of the People's Republic of China, the income tax for income Silks International is levied at 25%. If there are losses for the enterprise that incurred in the taxation year, it is allowed to

be carried forward to the next year, and use the income for the next year to cover the losses. However, the number of years that can be carried forward is limited to 5 years.

7. The Company's profit-seeking enterprise income tax has been approved by the tax collection authorities until 2021.
8. To assist taxpayers who are affected by the COVID-19 pandemic, the National Taxation Bureau, Ministry of Finance allows installment payments for the 2019, 2020 and 2021 profit-seeking enterprise income tax. The Company has issued checks. As of December 31, 2023 and 2022, the balances were NT\$72,592 and NT\$156,314, respectively. These are recorded in notes payable according to their liquidity for NT\$53,133 and NT\$83,722, respectively, and in other non-current liabilities for NT\$19,459 and NT\$72,592, respectively.

(XXX) Earning per share

	<u>After-tax amount</u>	<u>2023 Weighted average number of shares outstanding (shares in thousands)</u>	<u>Earnings per share (NT\$)</u>
<u>Basic earnings per share</u>			
Current period net income attributable to common shares shareholders of the parent	\$ 1,415,555	127,403	\$ 11.11
<u>Diluted earnings per share</u>			
Current period net income attributable to common shares shareholders of the parent	\$ 1,415,555	127,403	
Assumed conversion of all dilutive potential ordinary shares			
Employees' payroll and bonus payable	-	459	
Current period net income plus potential effects of common stock attributable to common stock shareholders of the parent	\$ 1,415,555	127,862	\$ 11.07

	<u>After-tax amount</u>	<u>2022 Weighted average number of shares outstanding (shares in thousands)</u>	<u>Earnings per share (NT\$)</u>
<u>Basic earnings per share</u>			
Current period net income attributable to common shares shareholders of the parent	\$ 902,897	127,403	\$ 7.09
<u>Diluted earnings per share</u>			
Current period net income attributable to common shares shareholders of the parent	\$ 902,897	127,403	
Assumed conversion of all dilutive potential ordinary shares			
Employees' payroll and bonus payable	-	390	
Current period net income plus potential effects of common stock attributable to common stock shareholders of the parent	\$ 902,897	127,793	\$ 7.07

(XXXI) Supplementary information on cash flows

Investment activities with only partial cash payment:

	<u>2023</u>	<u>2022</u>
Procurement of Property, plant and equipment	\$ 212,002	\$ 194,036
Add: Accounts payable - equipment, at the beginning of the period	39,167	21,455
Add: Accounts payable - equipment, at the end of the period	(32,469)	(39,167)
Payments in cash for the current period	\$ 218,700	\$ 176,324



(XXXII) Changes in liabilities from financing activities

	<u>2023</u>			
	<u>Short-term borrowings</u>	<u>Guarantee deposits received</u>	<u>Lease liabilities</u>	<u>Liabilities from financing activities-gross</u>
January 1	\$ 86,714	\$ 170,351	\$ 3,013,365	\$ 3,270,430
Changes in cash flows from financing activities	-	( 2,273)	( 265,213)	( 267,486)
Increase in right-of-use assets	-	-	93,204	93,204
Decrease in right-of-use assets	-	-	( 33,900)	( 33,900)
Discounted and amortized interest expense	-	-	48,213	48,213
Interest paid	-	-	( 48,213)	( 48,213)
December 31	<u>\$ 86,714</u>	<u>\$ 168,078</u>	<u>\$ 2,807,456</u>	<u>\$ 3,062,248</u>

	<u>2022</u>			
	<u>Short-term borrowings</u>	<u>Guarantee deposits received</u>	<u>Lease liabilities</u>	<u>Liabilities from financing activities-gross</u>
January 1	\$ 83,904	\$ 169,258	\$ 3,203,167	\$ 3,456,329
Changes in cash flows from financing activities	2,810	1,093	( 211,661)	( 207,758)
Increase in right-of-use assets	-	-	59,536	59,536
Decrease in right-of-use assets	-	-	( 5,235)	( 5,235)
Discounted and amortized interest expense	-	-	58,503	58,503
Interest paid	-	-	( 58,803)	( 58,803)
IFRS 16 Rent concession benefits	-	-	( 32,142)	( 32,142)
December 31	<u>\$ 86,714</u>	<u>\$ 170,351</u>	<u>\$ 3,013,365</u>	<u>\$ 3,270,430</u>

## VII. Related Party Transaction

The Group does not have significant related party transaction.

### Key management remuneration information

	<u>2023</u>	<u>2022</u>
Wages and salaries and other short-term employee benefits	\$ 50,960	\$ 51,212
Post-employment benefits	<u>432</u>	<u>538</u>
Total	<u>\$ 51,392</u>	<u>\$ 51,750</u>

## VIII. Pledged Asset

Statements of the guarantees provided by the Group's assets:

<u>Asset item</u>	<u>Carrying value</u>		<u>Guarantee purpose</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>	
Financial asset measured at fair value through profit or loss			
- Current			
-Beneficiary certificates	<u>\$ 144,911</u>	<u>\$ 144,477</u>	Short-term borrowings guarantee
Financial assets at amortized cost - current			
Demand deposit	129,847	166,031	Trust account of performance guarantee for standard contracts for gift certificates
- Time deposit	<u>634</u>	<u>481</u>	Guarantee fund for cooperative education
Subtotal	<u>130,481</u>	<u>166,512</u>	
Financial assets at amortized cost - non-current			
- Time deposit	43,912	42,654	Performance bond of leased building
- " "	11,830	11,880	Guarantee fund for cooperation
- " "	<u>100</u>	<u>100</u>	Gasoline deposit
Subtotal	<u>55,842</u>	<u>54,634</u>	
Property, plant and equipment			
- Lands and buildings	243,278	259,225	Guarantee for short-term borrowings and short-term notes payable
Total	<u>\$ 574,512</u>	<u>\$ 624,848</u>	

IX. Significant contingent liabilities and unrecognized contractual commitment

(I) Contingency

None of such situations.

(II) Commitment

Besides the narration of Note VI (XI), other major commitments are as follows:

1. The Company has signed an agreement providing technical service, entrustment management and franchise for an international five-star rating hotel and hotel construction as follows:

<u>Contract counterparty</u>	<u>Contract subject matter</u>	<u>Period</u>	<u>Service expense calculation and collection method</u>
(1) RONG CHIANG INTERNATIONAL LTD.	Silks Place Yilan	Starting from the date of official opening of the hotel onwards for 20 years	Calculate a certain percentage of the operation revenue on a monthly basis
(2) YUI-MOM SILKS CLUB CO., LTD.	Silks Club	"	"
(3) YBH INTERNATIONAL LTD.	Just Sleep Kaohsiung Station (front station)	"	"
(4) YBH INTERNATIONAL LTD.	Just Sleep Kaohsiung Station (Zhongzheng)	"	"
(5) YBH INTERNATIONAL LTD.	Just Sleep Hualien	Starting from the date of official opening of the hotel onwards for 20 years	Calculate a certain percentage of the operation revenue on a monthly basis
(6) SILICON BAY TECHNOLOGY CO., LTD.	Just Sleep Taipei Sanchong	"	"
(7) Heya Travel Co., Ltd.	Just Sleep Tainan	"	"
(8) INATO CREATE CO., LTD.	JUST SLEEP OSAKA	Starting from the date of official opening of the hotel onwards for 10 years	"
(9) Hungmao International Development Co., Ltd.	Just Sleep Taipei Kenting	Preparation period	Collect service revenue based on preparation progress

<u>Contract counterparty</u>	<u>Contract subject matter</u>	<u>Period</u>	<u>Service expense calculation and collection method</u>
(10) Eastern Home Shopping & Leisure Co., Ltd.	Silks X Linkou	“	“
(11) SET STUDIO PARK CO., LTD.	Silks Place Taoyuan	“	“
(12) Eastern Ocean Hot Spring Hotel Co., Ltd.	Wellspring by Silk	“	“
(13) Eastern Home Shopping & Leisure Co., Ltd.	Just Sleep Linkou	“	“

2. The entrustment contract signed by the Company for entrusted operation management is as follows:

<u>Contract counterparty</u>	<u>Contract subject matter</u>	<u>Period</u>	<u>Service expense and royalties calculation</u>
A	Hostel	Since January 16, 2013 to December 31, 2024, and renewed in August 2023 to December 31, 2034 for a total of 22 years	Since the first day of the test operation until the expiration or termination date of the entrustment operation period, the royalties are paid on a fixed and monthly basis. Additionally, a certain percentage of the operating revenue is used to pay the management royalties.

3. The major contracts for the leasing of shopping malls, hotel and restaurant management are as follows:

<u>Lessor</u>	<u>Lease subject matter</u>	<u>Period</u>	<u>Rent calculation and payment method</u>
(1) WANHWA ENTERPRISE COMPANY	Wanhwa Enterprise Building 5th~9th Floor	Since April 20, 2009 to April 19, 2027, a total of 18 years	Monthly payment of fixed rent, and an increase of 5% every 3 years
(2) Cathay Life Insurance Company, Ltd.	Tainan Cathay Plaza	Since March 12, 2014 to March 11, 2034, a total of 20 years	Monthly payment of fixed rent, from the 5th year an increase starting each year according to the contract
(3) Company D	No. 8 and 10, Ln.	Since November 1,	Monthly payment of

<u>Lessor</u>	<u>Lease subject matter</u>	<u>Period</u>	<u>Rent calculation and payment method</u>
	24, Deyang Rd., Jiaoxi Township, Yilan County, Taiwan	2013 to October 31, 2033, a total of 20 years	fixed rent, an increase of 3% starting from the fourth year for every three years. It is calculated by a certain percentage of one of the operating categories.
(4) Company E	No. 67, Wenquan Rd., Jiaoxi Township, Yilan County	Since December 1, 2015 to November 30, 2035, a total of 20 years	“
(5) Company K	Lot no. 471, 471-1, 498-1, 472, 472-1, Small Section, Xinmin Section, Beitou District, Taipei City	Starting from the date of rent (inclusive of the day), a total of 20 years	Monthly payment of fixed rent, and an increase of 3% every 5 years
(6) Company L	Magistrate Residence Living Centre 1F, Meals and Beverages Business Area and Kitchen Area	Since August 31, 2022 to April 30, 2025, a total of 2.6 years	Calculation of rent is based on revenue, but guaranteed revenue shall be achieved.

4. Main rental lease contracts signed and entered into by the Company are as follows:

<u>Lessee</u>	<u>Lease subject matter</u>	<u>Period</u>	<u>Rent calculation and collection method</u>
USPACE TECH CO., LTD.	Underground level 4 and 5 of Regent Taipei	Since August 1, 2023 to July 31, 2028, a total of 5 years	Monthly collection of fixed rent. When the lessee raises the parking fees, the rent shall be adjusted according to the proportion of the parking fee raised.

5. The Company has established the five-star Silks Place Hotel in Tainan City at the Tainan Cathay Plaza. Thus, we have signed and entered into a lease contract with Cathay Life Insurance Company, Ltd. In accordance with the contract agreement, we have filed for application with the Taipei Fubon Bank the guarantee credit line and submitted a performance bond of NT\$43,912 for the period covering November 6, 2008 to March 11, 2034.
6. On the entrustment contract for operation signed by the Company and A, application of guarantee deposit of NT\$10,000 shall be made to Mega International Commercial Bank for contract fulfillment guarantee according to the contract. The period is from September 20, 2012 to September 19, 2024.

7. On the lease contract signed by the Company and K, application of credit guarantee amount of NT\$26,965 shall be made to Mega International Commercial Bank for contract fulfillment guarantee according to the contract. The period is from November 6, 2020 to November 5, 2024.
8. Silks Palace participated in the "Private Participation in the National Palace Museum Food and Beverage Service Center Plan". Silks Palace, thus, has signed and entered into agreement with the National Palace Museum on developing operations and the setting up of superficies in December 2005. The main contents of the contracts are as follows:
  - (1) Development and operation period: Starting from the day of signing the superficies set up contract onwards for 25 years, if the evaluation results show an operation performance at good standing, application for priority entrustment of continuing management may be submitted attaching relevant information in accordance with relevant regulations. However, continuing management shall not surpass 10 years.
  - (2) Royalty, rent and security deposit:
    - A. Development royalty: One time payment shall be made 7 days before the beginning of the operation for each of the investment item of the execution plan proposed by Silks Palace At National Palace Museum Corp.
    - B. Management royalty: After the operation begins, the royalty is calculated based on the agreed percentage of the total operating revenue of the previous fiscal year audited and verified by the CPAs. The management royalty of the previous year has to be paid before August 31 each year.
    - C. Rent: It is calculated based on the "Regulations for Favorable Rentals Regarding Public Land Lease and Superficies in Infrastructure Projects".
    - D. Performance bond: Silks Palace At National Palace Museum Corp. provides a performance bond of NT\$5,000 which will be returned 3 months after the completion of all related procedures for assets transfer according to the contract.
  - (3) Restrictive terms:
    - A. The following financial percentage shall be maintained during the development and operation period:
      - a. Current ratio shall be more than 100%.
      - b. The total liabilities amount shall be less than 1.5 times of the net worth.
    - B. The financial plans of Silks Palace Forbidden City shall be adjusted based on the financial plan proposed after the selection and evaluation.
    - C. Besides obtaining agreement by the National Palace Museum, the Silks Palace At National Palace Museum Corp. shall not make re-investments of other businesses.
    - D. For the assets and liabilities acquired by the Silks Palace At National Palace Museum Corp. due to the operation plan, it shall not set up any burden: The assets and liabilities shall not be transferred or rented without authorization from the National Palace Museum.
9. Operating lease arrangements

Please refer to Notes VI (IX), (X) and (XVI) for details.

10. The subsidiary - FIH Management Limited (hereinafter referred to as “FML”) has signed and entered into a shareholder negotiation agreement with IHG and RHW on July 1, 2018. The contents of the agreement cover future internal management and operation of RHW, related cost and expense distribution, Regent brand development planning and use restrictions, financial audit information and related matters to equity purchase and sale. Of which, it was agreed that the shareholders of both parties for between 2026 to 2033, regarding the 49% RHW equity held by FML, FML has the rights to sell the equity to IHG, and IHG has the rights to purchase from FML. The transaction price is calculated based on “11 times of the operating revenue after adjustments according to the contract agreement in the previous year before the exercise of rights”.

X. Major Disaster Losses

None of such situations.

XI. Significant Events After Reporting Period

On March 11, 2024, the Company’s Board proposed the 2023 appropriation of earnings plan, please refer to Note VI (XXI) 4. for the explanations.

XII. Others

(I) Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group uses the debt-to-capital ratio to monitor its capital, and such ratio is calculated by dividing the total debt by the total capital.

(II) Financial instruments

1. Financial instruments by category

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss (FVTPL)		
Financial assets mandatorily measured at fair value through profit or loss	\$ 2,767,248	\$ 2,379,961
Financial assets at fair value through profit or loss (FVTOCI)		
Designation option for investments in equity instruments	500	500
Financial assets at amortized cost		
Cash and cash equivalents	475,230	453,169
Financial assets at amortized cost - current	694,837	644,251
Notes receivable	14,923	9,121
Accounts receivable	209,364	176,980
Other receivables	407,583	5,068
Financial assets at amortized cost - non-current	55,842	54,634
Long term receivables	-	393,685
Refundable deposits	79,363	90,177
	<u>\$ 4,704,890</u>	<u>\$ 4,207,546</u>



	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost		
Short-term borrowings	\$ 86,714	\$ 86,714
Notes payable (current and non-current)	95,794	229,566
Accounts payable	251,744	281,204
Other payables	1,133,804	935,762
Guarantee deposits received	168,078	170,351
	<u>\$ 1,736,134</u>	<u>\$ 1,703,597</u>
Lease liabilities - current	<u>\$ 252,902</u>	<u>\$ 257,687</u>
Lease liabilities - non- current	<u>\$ 2,554,554</u>	<u>\$ 2,755,678</u>

## 2. Risk management policy

- (1) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk and liquidity risk. The Group's overall risk management policy emphasizes the unforeseeable matters of the financial market and seeks to lower the effects from potential disadvantages to the Group's financial position and performance.
- (2) The Group's Finance Department performs risk management work in compliance with the policy approved by the Board of Directors. The Group's Finance Department works closely with each of the operating unit within the Group to carry out its responsibilities in the identification, assessment and hedging of financial risks. The board of directors provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

## 3. Nature and extend of significant financial risks

### (1) Market risk

#### Foreign currency exchange rate risk

- A. The Group is a multinational operation. We are influenced by exchange rate risk from the transactions of relatively different currencies from the Company and subsidiaries' functional currency, which is mainly the USD and JPY. Related exchange rate risk derives from commercial transactions and recognized assets and liabilities.
- B. The Group engages in businesses that involve several non-functional currencies (NT\$ is the functional currency of the Company and some of the subsidiaries, while USD and JPY is the functional currency of some of the subsidiaries) which are impacted by exchange rate volatilities. The foreign currency assets with significant impacts of exchange rate volatilities are as follows:

				<u>December 31, 2023</u>	
				Book value	
(Foreign currency: Functional currency)	<u>Foreign currency</u> <u>(in thousand)</u>	<u>Currency</u> <u>exchange rate</u>			
Financial assets			<u>(NT\$)</u>		
Monetary items					
USD: NT\$	\$ 1,964	30.71	\$	60,314	
USD: JPY	10,069	141.39		309,219	
EUR: USD	1,947	1.1065		66,159	
Non-monetary items					
USD: NT\$	54,852	30.71		1,684,494	
JPY: NT\$	1,424,482	0.2172		309,397	

				<u>December 31, 2022</u>	
				Book value	
(Foreign currency: Functional currency)	<u>Foreign currency</u> <u>(in thousand)</u>	<u>Currency</u> <u>exchange rate</u>			
Financial assets			<u>(NT\$)</u>		
Monetary items					
USD: NT\$	\$ 1,900	30.71	\$	58,349	
USD: JPY	9,629	132.14		295,707	
EUR: USD	1,567	1.0655		51,272	
Non-monetary items					
USD: NT\$	54,204	30.71		1,664,594	
JPY: NT\$	1,273,683	0.2324		296,004	

C. On the Group's monetary items, foreign currency exchange rate volatility has cast a significant impact on all of the 2023 and 2022 exchange rate gains (inclusive of those realized and unrealized) recognized. The aggregate amounts are NT\$19,722 and NT\$40,853 for 2023 and 2022 respectively.

D. Analysis of foreign currency market risks due to effects from significant exchange rate fluctuations as below:

		<u>2023</u>		
		<u>Sensitivity analysis</u>		
		<u>Range of</u>	<u>Effects on profit</u>	<u>Effects to other</u>
		<u>variation</u>	<u>and loss</u>	<u>comprehensive</u>
				<u>income</u>
(Foreign currency: Functional currency)				
Financial assets				
Monetary items				
USD: NT\$	1%	\$	603	\$ -
USD: JPY	1%		3,092	-
EUR: USD	1%		662	-
Non-monetary items				
USD: NT\$	1%		-	16,845
JPY: NT\$	1%		-	3,094

		<u>2022</u>		
		<u>Sensitivity analysis</u>		
		<u>Range of</u>	<u>Effects on profit</u>	<u>Effects to other</u>
		<u>variation</u>	<u>and loss</u>	<u>comprehensive</u>
				<u>income</u>
(Foreign currency: Functional currency)				
Financial assets				
Monetary items				
USD: NT\$	1%	\$	583	\$ -
USD: JPY	1%		2,957	-
EUR: USD	1%		513	-
Non-monetary items				
USD: NT\$	1%		-	16,646
JPY: NT\$	1%		-	2,960

#### Price risks

- A. The Group's debt and equity instruments exposed to price risk are accounted for in financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. In order to manage the price risk of debt and equity instrument investment, the Group diversifies its investment portfolio. The diversification method is based on the limit set by the Group.
- B. The Group mainly invests in domestic open-ended funds and closed-end funds. The prices of these debt instruments will be affected by the uncertainty of the future value of the investment targets. If the price of such debt instruments increases or decreases by 1%, and all other

factors remain unchanged, the net profit after tax for 2023 and 2022 will be divided. The increase or decrease was NT\$27,672 and NT\$23,800, respectively.

(2) Credit risk

- A. The Group's credit risk refers to risks of financial losses due to default by the clients or transaction counterparties of financial instruments on the contract obligations. The default mainly derives from account receivable that the counterparties were unable to clear the payments according to the payment collection term and other financial assets at amortized cost.
- B. The Group builds credit risk management from the group perspectives. Only banks and financial institutions having a rating of "A" level by the independent ratings can become a counterparty in the dealings. According to the internal credit policy, each of the operating entity within the Group shall conduct management and credit risk analysis for each new customer before forming the terms and conditions for the payments and goods delivery. Internal risk control assesses the credit quality of the customers by taking into account its financial position, past experiences and other factors. The limits of individual risks are established by the Board of Directors based on the internal and external rating, and are applied for the regular monitoring of the credit facilities.
- C. The Group adopts the premise provided by IFRS 9. When the contractual payments overdue from the payment terms for more than 90 days, it is deemed as a breach of contract.
- D. The Group adopts IFRS 9 to provide the following assumptions as the basis for judging whether the credit risk of financial instruments has increased significantly since the initial recognition:  
When the contractual payments overdue from the payment terms for more than 30 days, the credit risks of the financial assets are deemed to have increased significantly since the initial recognition.
- E. The Group applies the simplified approach to the account receivables based on the characteristics of the customers according to the customer ratings and customer type for estimation of the expected credit losses using the loss ratio method as the basis.
- F. The Group incorporates the business observation report of the Taiwan Institute of Economic Research (TIER) for future forward-looking considerations to estimate the allowance for losses on accounts receivable of customers based on the loss rate of historical and current information for a specific period. The Group's expected loss rate for accounts receivable that are due and undue as of December 31, 2023 and 2022 are not significant.
- G. The allowance for losses of the account receivable which the Group applies the simplified approach is not significant and is not recognized in 2023 and 2022.

(3) Liquidity risk

- A. The cash flow projection is performed by every individual operation within the Group and compiled by the Finance Department of the Group. The Group's Finance Department monitors the projections for the Group's needs of funds to ensure that there are sufficient funding to support

operating requirements. Such projections take into consideration the financial percentage targets of internal balance sheet and external regulatory requirements.

- B. When the remaining cash held by all operating entities exceeds the amount needed for the management of the operating funds, the remaining capital shall be invested in the saving deposit with interest, time deposit, currency market, and securities. The chosen instruments have appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As of December 31, 2023 and 2022, the Group holds currency market position at NT\$3,632,205 and NT\$3,140,089 respectively. It is expected to immediately generate cash flow in managing current risk.
- C. Statements for the unused loan amounts are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Within 1 year	<u>\$ 2,134,262</u>	<u>\$ 2,480,597</u>

- D. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings, non-derivative financial liabilities are based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The contractual cash flow amount disclosed in the following table is the undiscounted amount.

Non-derivative financial liabilities:

<u>December 31, 2023</u>	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 years and above</u>
Short-term borrowings	\$ 86,714	\$ -	\$ -
Notes payable (current and non-current)	72,132	23,662	-
Accounts payable	251,744	-	-
Other payables	1,133,804	-	-
Lease liabilities (current and non-current)	297,317	306,895	2,457,223
Guarantee deposits received	-	-	168,078

Non-derivative financial liabilities:

<u>December 31, 2022</u>	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 years and above</u>
Short-term borrowings	\$ 86,714	\$ -	\$ -
Notes payable (current and non-current)	133,859	72,045	23,662
Accounts payable	281,204	-	-
Other payables	935,762	-	-
Lease liabilities (current and non-current)	305,722	300,661	2,703,782
Guarantee deposits received	-	-	170,351

(III) Fair value information

1. The different levels of the valuation techniques used to measure fair value of financial and non-financial instruments have been defined as follows:
  - Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access on the measurement date. An active market refers to a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of the beneficiary certificates from the Group's investments included.
  - Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
  - Level 3: Unobservable inputs for the asset or liability. The Group's investment in equity instruments without active market is included in Level 3.
2. The Group's financial instruments not measured at fair value and the carrying amounts of these financial instruments is a reasonable approximation of fair value: Including cash and cash equivalents, notes receivable, accounts receivable, other receivables, financial assets measured at amortized cost, refundable deposits, long-term receivables, short-term borrowings, notes payable, accounts payable, other payables, and guarantee deposits.

3. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets is as follows:

(1) Related information on classifications based on the nature of the Group's assets:

December 31, 2023	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurement disclosures</u>				
Financial assets at fair value through profit or loss (FVTPL)				
Beneficiary certificates	<u>\$ 2,767,248</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,767,248</u>
Financial assets at fair value through profit or loss (FVTOCI)				
Equity securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 500</u>
December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurement disclosures</u>				
Financial assets at fair value through profit or loss (FVTPL)				
Beneficiary certificates	<u>\$ 2,379,961</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,379,961</u>
Financial assets at fair value through profit or loss (FVTOCI)				
Equity securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 500</u>

(2) The methods and assumptions the Group used to measure fair value are as follows:

A. The Group used market quoted prices as their fair values (i.e., Level 1), which are listed below according to the characteristics of the instruments:

	<u>Close-end funds</u>	<u>Open-end funds</u>
Quoted market price	Closing price	Net worth

B. Except for above financial instruments with active markets, the fair value of other financial instruments is measured using valuation techniques or by reference to counterparty quotes. The fair value of financial

instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

- C. When assessing non-standard and low-complexity financial instruments, for example, debt instrument for which no active market exists, interest rate swap contracts, foreign exchange swap contracts, and option, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
  - D. The output of valuation model is an estimated value and the valuation technique may not be able to reflect all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model would be adjusted accordingly with additional parameters, such as model risk or liquidity risk. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, the management believes that adjustment to valuation is appropriate and necessary in order to reasonably represent the fair value of financial and non-financial instruments in the consolidated balance sheet. The parameters and pricing information used during valuation are carefully assessed and appropriate adjustments are made based on current market conditions.
  - E. Since the amount for the equity securities of financial assets at fair value through profit or loss (FVTOCI) is not significant, the amount is measured at initial investment cost.
- 4. There was no transfer between levels 1 and 2 in 2023 and 2022.
  - 5. There have been no circumstances of transfer in or out for Level 3 in 2023 and 2022.

### XIII. Separately Disclosed Items

#### (I) Information About Significant Transactions

- 1. Lending of funds to others: None of such situations.
- 2. Provision of endorsements and guarantees to others: None of such situations.
- 3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and controlling joint ventures): Please refer to Table 1.
- 4. Aggregate purchases or sales of the same securities reaching NT\$300 million or 20% of paid-in capital or more: Please refer to Table 2.
- 5. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None of such situations.
- 6. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None of such situations.
- 7. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid in capital or more: None of such situations.
- 8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital



or more: None of such situations.

9. Engaging in derivatives trading: None of such situations.

10. Business relationships and significant transactions between the parent company and its subsidiaries and among the subsidiaries and amounts: None of such situations.

(II) Related information about reinvestment business

Related information on the investee companies including name and location (investee companies in Mainland China excluded): Please refer to Table 3.

(III) Information on Investments in Mainland China

1. Basic profile: Please refer to Table 4.

2. Significant transaction matters incurred for businesses in third area and investee companies in Mainland China through reinvestments, directly or indirectly controlled by the company: None of such situations.

(IV) Information of major shareholders

Information on major shareholders: Please refer to Table 5.

XIV. Segments information

(I) General information

Management has determined the reportable operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. There have been no significant changes to the enterprise formation, basis for division of departments and the basis for measurement of the department's information for the current period.

(II) Measurement of department information

The Group makes measurement based on the operation department's revenue and the departmental net operation profit and loss, and as the basis for evaluating performance. It will also eliminate the transaction between departments.

(III) Segments information

Reportable segment information to provide to major operation decision-makers

2023

	<u>Food and beverage department</u>	<u>Guestroom department</u>	<u>Technical service and operation management department</u>	<u>Lease department</u>	<u>Investment department</u>	<u>Adjustments and write-off</u>	<u>Consolidated</u>
External revenue	\$ 3,299,614	\$ 2,575,227	\$ 215,633	\$ 674,568	\$ -	\$ -	\$ 6,765,042
Internal revenue	588	5,529	3,099	495	-	( 9,711)	-
Departmental revenue	<u>\$ 3,300,202</u>	<u>\$ 2,580,756</u>	<u>\$ 218,732</u>	<u>\$ 675,063</u>	<u>\$ -</u>	<u>(\$ 9,711)</u>	<u>\$ 6,765,042</u>
Net operating income of departments	<u>\$ 478,131</u>	<u>\$ 840,093</u>	<u>\$ 119,211</u>	<u>\$ 405,839</u>	<u>(\$ 137)</u>	<u>\$ -</u>	<u>\$ 1,843,137</u>
Net operating income of departments includes:							
Depreciation	<u>\$ 138,790</u>	<u>\$ 408,996</u>	<u>\$ 2,106</u>	<u>\$ 44,204</u>	<u>\$ 34</u>	<u>\$ -</u>	<u>\$ 594,130</u>

2022

	<u>Food and beverage department</u>	<u>Guestroom department</u>	<u>Technical service and operation management department</u>	<u>Lease department</u>	<u>Investment department</u>	<u>Adjustments and write-off</u>	<u>Consolidated</u>
External revenue	\$ 2,871,215	\$ 1,895,224	\$ 214,884	\$ 616,000	\$ -	\$ -	\$ 5,597,323
Internal revenue	483	6,037	3,099	494	-	( 10,113)	-
Departmental revenue	<u>\$ 2,871,698</u>	<u>\$ 1,901,261</u>	<u>\$ 217,983</u>	<u>\$ 616,494</u>	<u>\$ -</u>	<u>(\$ 10,113)</u>	<u>\$ 5,597,323</u>
Net operating income of departments	<u>\$ 312,222</u>	<u>\$ 444,823</u>	<u>\$ 104,436</u>	<u>\$ 359,688</u>	<u>(\$ 131)</u>	<u>\$ -</u>	<u>\$ 1,221,038</u>
Net operating income of departments includes:							
Depreciation	<u>\$ 143,662</u>	<u>\$ 403,403</u>	<u>\$ 1,896</u>	<u>\$ 41,221</u>	<u>\$ 35</u>	<u>\$ -</u>	<u>\$ 590,217</u>

(IV) Adjustments information on departmental income

For the 2023 and 2022 departmental income and income before tax from continuing operations, the adjustments are as follows:

	<u>2023</u>		<u>2022</u>
Income for segments of the Group which should be reported	\$ 1,843,137	\$	1,221,038
Non-operating income and expenses	<u>65,548</u>		<u>83,150</u>
Income before tax from continuing operations	<u>\$ 1,908,685</u>	\$	<u>1,304,188</u>

(V) Information on type of product and professional service

External customers revenue mainly comes from hotel and restaurant service, lease and technical service. The statements of revenue are as follow:

	<u>2023</u>		<u>2022</u>
Hotel and restaurant service revenue	\$ 5,874,841	\$	4,766,439
Lease revenue	674,568		616,000
Technical service revenue	<u>215,633</u>		<u>214,884</u>
Total	<u>\$ 6,765,042</u>	\$	<u>5,597,323</u>

(VI) Regional information

Information on the various regions for 2023 and 2022 are as follows:

	<u>2023</u>		<u>2022</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
Taiwan	\$ 6,755,146	\$ 4,687,393	\$ 5,568,231	\$ 5,040,308
Others	<u>9,896</u>	<u>17</u>	<u>29,092</u>	<u>149</u>
Total	<u>\$ 6,765,042</u>	<u>\$ 4,687,410</u>	<u>\$ 5,597,323</u>	<u>\$ 5,040,457</u>

(VII) Important customer information

Revenue from every customer did not reach 10% of the total consolidated revenue for 2023 and 2022. Thus, it is not admissible.

## V. Parent Company-only Financial Statement for the Most Recent Fiscal Year, Audited and Attested by CPAs

### Independent Auditor's Report

Letter Reference No. 22004133 issued by the Ministry of Finance (MOF)  
Formosa International Hotels Corporation:

#### **Opinion**

We have audited the accompanying financial statement of Formosa International Hotels Corporation (“the Company”), which comprise the balance sheets as of December 31, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audit results and audit reports of other accountants (please refer to the paragraph on other matters), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulation Governing the Preparation of Financial Reports by Securities Issuers.

#### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of FIH in accordance with The Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audit results and audit reports of other accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the Company for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and by forming of our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's financial statements for the year ended December 31, 2023 are stated as follows:

### **The Accuracy of the Revenue Recognition for Hotel and Restaurant Business**

#### Description of the matter

Regarding the accounting policy for revenue recognition, please refer to Note IV (XXVI) of the parent company only financial report; On the explanation of the operating revenue account titles, please refer to Note VI (XIX) of the parent company only financial report.

The Company provides services in the four business segments, including Housekeeping segment, Food & Beverage segment, Rental segment, and Operation Management segment. Among which, revenue source comes mainly from hotel and restaurant operation which is its principal business. Due to the significant amounts and the characteristic of the business, consisting of low unit price products but numerous number of sales transactions, the volume of transactions has been huge. This can lead to a higher chance for occurrence of errors resulting in material misstatement of the parent company only financial statements. Consequently, the accuracy of the revenue recognition for hotel and restaurant business is identified as one of the key audit matters.

#### Audit procedures in response

The procedures that we have conducted in response to the above-mentioned key audit matter are summarized as follows:

1. We understood and tested the effectiveness of the internal control adopted by

the Company for its hotel and restaurant operation revenue, including confirmation of consistency between the sales report amount generated from the sales system and the credit entry.

2. We conducted analysis for the various management reports of the hotels and restaurants, including analysis of the hotel occupancy rate and room price, pricing of the food and beverages, number of visitors and average spending and other information. This analysis is for assessment of the reasonableness of the revenue amount arising from hotel and restaurant operation.
3. We conducted substantive tests for the following:
  - (1) Cross-checked the customer bills and signing records with the credit entry for accuracy.
  - (2) Cross-checked the payment records and the original credit entry to ensure that they match.

### **Accuracy of Food and Beverage Cost Carry Forward**

#### Description of the matter

The Company provides services in the four business segments, including Housekeeping segment, Food and Beverage segment, Rental segment, and Operation Management segment. Among which, the food and beverage cost covers raw ingredients (food ingredients classified into fresh food, dry goods, alcohol, beverages and so on), and direct labor and manufacturing expenses (e.g.: Rental expenses, water, electricity and gas expenses, depreciation expenses and so on). Due to the significant amounts and a relatively higher chance of mistakes to occur in the calculation of inventory cost carry forward and expenses, which might result in material misstatement in the parent company only financial statements. Consequently, the accuracy of the food and beverage cost carry forward is identified as one of the key audit matters.

#### Audit procedures in response

The procedures that we have conducted in response to the above-mentioned key audit matter are summarized as follows:

1. We understood and tested the effectiveness of the internal control adopted by

Company for its food and beverage and guest rooms, including confirmation of consistency between the cost carry forward amount in the system and the credit entry, and verifying the consistency between the credit entry and the calculation table.

2. Performed the substantive tests. Obtained the various forms and statements of the food and beverage cost carry forward (covering procured goods, direct labor and expenses sharing statements and so on). Sampled and cross-checked the certificates and re-examined the sharing of expenses to confirm the accuracy of the food and beverage cost carry forward.

### **Other Matters - Referenced the Audit Reports by Other Independent Auditors**

The investee companies accounted for using equity method in the Company's parent company only financial statements, the 2022 financial statements of some of the investee companies were not reviewed by us but by other auditors. Therefore, our opinions of the abovementioned parent company only financial statements were based on the audit reports by other auditors regarding the listed amounts and relevant information disclosed in Note XIII of the financial statements of these companies. As of December 31, 2022, the balance of the related investments accounted for using the equity method was NT\$17,277 thousand; the comprehensive loss recognized from January 1 to December 31, 2022 was NT\$265 thousand.

### **Responsibilities of Management and those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulation Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going

concern basis of accounting unless management either intends to liquidate the Company, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the



reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements (including related notes), and whether the parent company only financial statements adequately present related transactions and events.
6. Obtain sufficient appropriate audit evidence of the parent company only financial information within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with The Norm of Professional Ethics for Certified Public Accountants of the Republic of China regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From matters communicated with those charged with governance, we determined an issue that was most significant in the audit of the parent company only financial statements for the year ended December 31, 2023, and is, therefore, the key audit matter. We describe this matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PwC Taiwan

Chin-Lien Huang

Certified Public Accountant

Hsiu-Ling Li

Financial Supervisory Commission

Approved document number: Reference No.  
1100348083.

Formerly the Securities & Futures Commission  
(SFC), Ministry of Finance (MOF).

Approved document number: Reference No.  
0960038033

March 11, 2024

Formosa International Hotels Corporation  
Parent Company Only Balance Sheet  
December 31, 2023 and 2022

Unit: NT\$ thousand

Assets	Note	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
<b>Current assets</b>					
1100	Cash and cash equivalents	\$ 57,038	1	\$ 29,895	-
1110	Financial assets at fair value through profit or loss - current	2,497,716	25	2,053,377	21
1136	Financial assets at amortized cost - current	166,757	2	216,083	2
1150	notes receivable, net	14,533	-	9,121	-
1170	account receivable, net	191,074	2	159,576	2
1180	Accounts receivable due from related parties, net.	1,487	-	1,661	-
1210	Other receivables due from related parties	2,994	-	980	-
1220	Current income tax assets	5,230	-	-	-
130X	Inventories	22,755	-	31,409	-
1410	Prepayments	44,772	1	48,467	1
11XX	<b>Total current assets</b>	<u>3,004,356</u>	<u>31</u>	<u>2,550,569</u>	<u>26</u>
<b>Non-current assets</b>					
1517	Financial assets at fair value through other comprehensive income – non-current	500	-	500	-
1535	Financial assets at amortized cost - non-current	55,742	1	54,534	1
1550	Investments accounted for using equity method	2,593,346	26	2,540,479	26
1600	Property, plant and equipment	1,373,293	14	1,476,078	15
1755	Right-of-use assets	2,698,313	27	2,931,139	31
1780	Intangible assets	20,923	-	20,923	-
1840	Deferred tax assets	17,654	-	12,803	-
1900	Other non-current assets	83,333	1	93,351	1
15XX	<b>Total non-current assets</b>	<u>6,843,104</u>	<u>69</u>	<u>7,129,807</u>	<u>74</u>
1XXX	<b>Total assets</b>	<u>\$ 9,847,460</u>	<u>100</u>	<u>\$ 9,680,376</u>	<u>100</u>

(Continued)

Formosa International Hotels Corporation  
Parent Company Only Balance Sheet  
December 31, 2023 and 2022

Unit: NT\$ thousand

Liabilities and Equity	Note	December 31, 2023		December 31, 2022		
		Amount	%	Amount	%	
<b>Current liabilities</b>						
2130	Contract Liabilities - current	VI (XIX)	\$ 505,923	5	\$ 545,737	6
2150	Notes payable	VI (XXVI)	72,045	1	130,149	1
2170	Accounts payable		225,837	2	252,167	3
2180	Account payables-related parties	VII	1,306	-	250	-
2200	Other payables	VI (XII)	1,006,092	10	811,368	8
2220	Other account payables-related parties	VII	568	-	3,058	-
2230	Current income tax liabilities		319,849	3	205,744	2
2280	Lease liabilities - current	VI (XIII)	251,011	3	255,366	3
2300	Other current liabilities		55,965	1	26,793	-
21XX	<b>Total current liabilities</b>		<u>2,438,596</u>	<u>25</u>	<u>2,230,632</u>	<u>23</u>
<b>Non-current liabilities</b>						
2527	Contract liabilities—non-current	VI (XIX)	8,229	-	9,891	-
2570	Deferred tax liabilities	VI (XXVI)	1,825	-	699	-
2580	Lease liabilities - non-current	VI (XIII)	2,542,776	26	2,742,009	28
2600	Other non-current liabilities	6 (5) (14) (15) (26)	268,590	2	356,450	4
25XX	<b>Total non-current liabilities</b>		<u>2,821,420</u>	<u>28</u>	<u>3,109,049</u>	<u>32</u>
2XXX	<b>Total liabilities</b>		<u>5,260,016</u>	<u>53</u>	<u>5,339,681</u>	<u>55</u>
<b>Equity</b>						
	Capital stock	VI (XVI)				
3110	Capital - common stock		1,274,032	13	1,274,032	13
	Capital surplus	VI (XVII)				
3200	Capital surplus		222,383	2	222,383	2
	Retained earnings	VI (XVIII)				
3310	Legal reserve		1,274,032	13	1,274,032	13
3320	Special reserve		271,432	3	423,809	5
3350	Unappropriated earnings		1,837,923	19	1,417,871	15
	Other equity					
3400	Other equity		(292,358)	(3)	(271,432)	(3)
3XXX	<b>Total equity</b>		<u>4,587,444</u>	<u>47</u>	<u>4,340,695</u>	<u>45</u>
	Significant contingent liabilities and unrecognized contractual commitment	(IX)				
	Significant Events After Reporting Period	XI				
3X2X	<b>TOTAL</b>		<u>\$ 9,847,460</u>	<u>100</u>	<u>\$ 9,680,376</u>	<u>100</u>

Please also refer to the parent company only financial statements notes attached at the end which is part of the parent company only financial report.

Chairman: Steven Pan

Managerial officer: Wei-Cheng Wu

Accounting Officer: Chien-Nan Tsao

**Formosa International Hotels Corporation**  
**Parent Company Only Statements of Comprehensive Income**  
**January 1 to December 31, 2023 and 2022**

Unit: NT\$ thousand  
(Except earnings per share in NT\$)

	Item	Note	2023		2022	
			Amount	%	Amount	%
4000	Operating revenue	VI (X) (XIX) and VII	\$ 5,775,067	100	\$ 4,680,067	100
5000	Operating costs	VI (VI) (XIV) (XXIV) (XXV)	( 3,738,280)	( 65)	( 3,276,858)	( 70)
5950	Gross profit		<u>2,036,787</u>	<u>35</u>	<u>1,403,209</u>	<u>30</u>
	Operating expenses	VI (VI) (XIV) (XXIV) (XXV)				
6100	Selling expense		( 34,424)	-	( 32,772)	( 1)
6200	Administrative expense		( 442,456)	( 8)	( 418,273)	( 9)
6000	Total operating expenses		( 476,880)	( 8)	( 451,045)	( 10)
6900	Operation profit		<u>1,559,907</u>	<u>27</u>	<u>952,164</u>	<u>20</u>
	Non-operating income and expenses					
7100	Interest income	VI (IV) (XX)	24,638	-	10,570	-
7010	Other non-interest income	VI (XXI)	37,646	1	46,758	1
7020	Other gains and losses	VI (II) (XXII)	( 21,557)	-	7,521	-
7050	Finance cost	VI (IX) (XXIII)	( 49,544)	( 1)	( 59,529)	( 1)
7070	Share of gains of subsidiaries, associates and joint ventures accounted for using equity method	VI (VII)	<u>180,258</u>	<u>3</u>	<u>152,294</u>	<u>4</u>
7000	Total non-operating income and expenses		<u>171,441</u>	<u>3</u>	<u>157,614</u>	<u>4</u>
7900	<b>Profit before tax</b>		<u>1,731,348</u>	<u>30</u>	<u>1,109,778</u>	<u>24</u>
7950	Income tax expense	VI (XXVI)	( 315,793)	( 6)	( 206,881)	( 5)
8200	<b>Net income</b>		<u>\$ 1,415,555</u>	<u>24</u>	<u>\$ 902,897</u>	<u>19</u>
	<b>Other comprehensive income of the current period (net)</b>					
	<b>Items not to be reclassified into profit or loss</b>					
8311	Remeasurement of defined benefit plans	VI (XIV)	\$ 196	-	\$ 17,751	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method - items not to be reclassified into profit or loss		( 478)	-	760	-
8349	Income tax relating to items not for reclassifications	VI (XXVI)	( 39)	-	( 3,550)	-
8310	Total for the items not to be reclassified into profit or loss		( 321)	-	14,961	-
	<b>Items that may be reclassified subsequently to profit or loss</b>					
8361	Exchange differences on the translation of financial statements of foreign operations		( 20,926)	-	152,377	4
8360	Total for the items that may be reclassified subsequently to profit or loss		( 20,926)	-	152,377	4
8300	<b>Other comprehensive income of the current period (net)</b>		<u>( \$ 21,247)</u>	<u>-</u>	<u>\$ 167,338</u>	<u>4</u>
8500	<b>Total comprehensive income</b>		<u>\$ 1,394,308</u>	<u>24</u>	<u>\$ 1,070,235</u>	<u>23</u>
	Earning per share	VI (XXVII)				
9750	Basic earnings per share		<u>\$ 11.11</u>		<u>\$ 7.09</u>	
9850	Diluted earnings per share		<u>\$ 11.07</u>		<u>\$ 7.07</u>	

Please also refer to the parent company only financial statements notes attached at the end which is part of the parent company only financial report.

Chairman: Steven Pan

Managerial officer: Wei-Cheng Wu

Accounting Officer: Chien-Nan Tsao

Formosa International Hotels Corporation  
Parent Company Only Statements of Changes in Equity  
January 1 to December 31, 2023 and 2022

Unit: NT\$ thousand

	Note	Capital - common stock	Issued at premium	Retained earnings			Exchange differences on the translation of financial statements of foreign operations	Total
				Legal reserve	Special reserve	Unappropriated earnings		
<u>2022</u>								
Balance as of January 1		\$ 1,274,032	\$ 222,383	\$ 1,274,020	\$ 313,338	\$ 2,189,341	(\$ 423,809 )	\$ 4,849,305
Net income		-	-	-	-	902,897	-	902,897
Other comprehensive income of the current period		-	-	-	-	14,961	152,377	167,338
Total comprehensive income		-	-	-	-	917,858	152,377	1,070,235
2021 Appropriation and distribution of retained earnings	VI (XVIII)							
Legal reserve		-	-	12	-	( 12 )	-	-
Allocated special reserve		-	-	-	110,471	( 110,471 )	-	-
Cash dividends		-	-	-	-	( 1,578,845 )	-	( 1,578,845 )
Balance as of December 31, 2022		\$ 1,274,032	\$ 222,383	\$ 1,274,032	\$ 423,809	\$ 1,417,871	(\$ 271,432 )	\$ 4,340,695
<u>2023</u>								
Balance as of January 1, 2023		\$ 1,274,032	\$ 222,383	\$ 1,274,032	\$ 423,809	\$ 1,417,871	(\$ 271,432 )	\$ 4,340,695
Net income		-	-	-	-	1,415,555	-	1,415,555
Other comprehensive income of the current period		-	-	-	-	( 321 )	( 20,926 )	( 21,247 )
Total comprehensive income		-	-	-	-	1,415,234	( 20,926 )	1,394,308
Appropriations and distributions of 2022 earnings	VI (XVIII)							
Reversal of special reserves		-	-	-	( 152,377 )	152,377	-	-
Cash dividends		-	-	-	-	( 1,147,559 )	-	( 1,147,559 )
Balance as of December 31, 2023		\$ 1,274,032	\$ 222,383	\$ 1,274,032	\$ 271,432	\$ 1,837,923	(\$ 292,358 )	\$ 4,587,444

Please also refer to the parent company only financial statements notes attached at the end which is part of the parent company only financial report.

Chairman: Steven Pan

Managerial officer: Wei-Cheng Wu

Accounting Officer: Chien-Nan Tsao

Formosa International Hotels Corporation  
Parent Company Only Statements of Cash Flows  
January 1 to December 31, 2023 and 2022

Unit: NT\$ thousand

	<u>Note</u>	<u>2023</u>	<u>2022</u>
<u>Cash flows from operating activities</u>			
Income before income tax		\$ 1,731,348	\$ 1,109,778
Adjusted items			
Adjustments to reconcile profit (loss)			
Net gains on financial assets at fair value through profit or loss	VI (II) (XXII)	( 3,506 )	( 7,404 )
Share of profit or loss of subsidiaries and associates accounted for using equity method	VI (VII)	( 180,258 )	( 152,294 )
Depreciation expense	VI (VIII) (IX) (XXIV)	529,303	533,497
Business facilities transferred to expenses	VI (VIII)	22,028	18,436
Property, plant and equipment transferred to expenses	VI (VIII)	934	-
Losses from disposal of property, plant and equipment	VI (XXII)	773	-
Lease modification losses (gains)	VI (IX) (XXII)	197	( 151 )
Transfer of overdue accounts payable to other revenue	VI (XXI)	( 10,428 )	( 2,643 )
Interest expense	VI (IX) (XXIII)	49,544	59,529
Interest income	VI (IV) (XX)	( 24,638 )	( 10,570 )
Change in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss (FVTPL)		( 440,833 )	508,944
Notes receivable		( 5,412 )	( 4,245 )
Accounts receivable		( 31,498 )	( 16,649 )
Accounts receivable due from related parties		174	( 50 )
Other receivables due from related parties		( 2,014 )	( 322 )
Inventories		8,654	( 9,102 )
Prepayments		3,695	( 16,417 )
Changes in operating liabilities			
Contract Liabilities - current		( 39,814 )	( 37,049 )
Notes payable		( 46,427 )	( 22,941 )
Accounts payable		( 26,330 )	50,105
Account payables-related parties		1,056	( 2,961 )
Other payables		211,399	( 20,915 )
Other account payables-related parties		( 2,490 )	3,058
Other current liabilities		29,172	475
Contract liabilities - non-current		( 1,662 )	1,398
Accrued pension liabilities		( 5,434 )	( 9,509 )
Other non-current liabilities		( 7,912 )	( 103 )
Cash inflows generated from operating activities		1,759,621	1,971,895
Interest received		24,638	10,570
Dividends received		105,987	62,421
Interest paid		( 49,544 )	( 59,529 )
Income tax paid		( 294,404 )	( 81,619 )
Net cash inflows from operating activities		<u>1,546,298</u>	<u>1,903,738</u>

(Continued)

Formosa International Hotels Corporation  
Parent Company Only Statements of Cash Flows  
January 1 to December 31, 2023 and 2022

Unit: NT\$ thousand

	Note	2023	2022
<u>Cash flows from investing activities</u>			
Increase in financial assets at amortized cost			
- current		(\$ 1,594,600)	(\$ 284,212)
Decrease in financial assets at amortized cost			
- current		1,643,926	228,581
Increase in financial assets at amortized cost			
- non-current		( 1,258)	( 12,467)
Decrease in financial assets at amortized cost			
- non-current		50	770
Proceeds from the capital reduction of investments accounted for using equity method	VI (VII)	-	58,254
Acquisition of property, plant and equipment	VI (XXVIII)	( 166,323)	( 113,944)
Disposal of property, plant and equipment		4,000	-
Increase in refundable deposits		( 944)	( 4,466)
Decrease in refundable deposits		10,510	512
Increase in prepayments for equipment		( 1,792)	( 2,682)
Net cash outflow from investing activities		( 106,431)	( 129,654)
<u>Cash flows from financing activities</u>			
Increase in guarantee deposits received	VI (XXIX)	6,208	6,705
Decrease in guarantee deposits received	VI (XXIX)	( 8,481)	( 5,073)
Payments of lease liabilities	VI (XXIX)	( 262,892)	( 209,711)
Dividends paid	VI (XVIII)	( 1,147,559)	( 1,578,845)
Net cash used in financing activities		( 1,412,724)	( 1,786,924)
Net increase (decrease) in cash and cash equivalents		27,143	( 12,840)
Cash and cash equivalents, beginning of the year		29,895	42,735
Cash and cash equivalents, end of the year		<u>\$ 57,038</u>	<u>\$ 29,895</u>

Please also refer to the parent company only financial statements notes attached at the end which is part of the parent company only financial report.

Chairman: Steven Pan

Managerial officer: Wei-Cheng Wu

Accounting Officer: Chien-Nan Tsao



Formosa International Hotels Corporation  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2023 AND 2022

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)

I. History and Organization

The Formosa International Hotels Corporation (the “Company”) was incorporated as a company limited by shares under the Company Act of the Republic of China (R.O.C.). The principal business of the Company engages in the operation of international tourist hotels. The Group also operates Chinese & Western restaurants, cafes, bars, conference halls, and so forth. The company also provides consulting services for hotel management, consultation and diagnostic analysis for various types of leisure industry facilities.

II. The Date of Authorisation for Issuance of the Separate Financial Statement and Procedures for Authorisation

This parent company only financial report was approved for release by the Board of Directors on March 11, 2024.

III. Application of New Standards, Amendments and Interpretations

(I) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRSs”) that came into effect as endorsed by the Financial Supervisory Commission (hereinafter referred to as “FSC”)

New standards, interpretations and amendments endorsed by FSC and became effective from 2023 are listed as follows:

<u>New/revised/amending standards and interpretations</u>	<u>Effective date by International Accounting Standards Board (IASB)</u>
Amendment to IAS 1, “Disclosure of accounting policies”	January 1, 2023
Amendments to IAS 8, “Definition of accounting estimates”	January 1, 2023
Amendment to IAS 12, “Deferred income taxes on assets and liabilities arising from a single transaction”	January 1, 2023
Amendments to IAS No. 12, “International tax reform - pillar 2 template”	May 23, 2023

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(II) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2024 are as follows:

<u>New Standard, Interpretations</u>	<u>Effective date by International Accounting Standards Board (IASB)</u>
Amendments to IFRS 16, "Lease liability in a sale and leaseback"	January 1, 2024
Amendment to IAS 1, "Classification of liabilities as current or non-current"	January 1, 2024
Amendment to IAS 1, "Non-current liabilities with covenants"	January 1, 2024
Amendments to IAS 7 and IFRS 7, "Supplier financing arrangements"	January 1, 2024

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(III) IFRSs issued by the IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standard, Interpretations</u>	<u>Effective date by International Accounting Standards Board (IASB)</u>
Amendments to IFRS 10 and IAS 28, "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined by the International Accounting Standards Board
IFRS 17, "Insurance contracts"	January 1, 2023
Amendment to IFRS 17, "Insurance contracts"	January 1, 2023
Amendment to IFRS 17, "Initial application of IFRS 17 and IFRS 9 - comparative information"	January 1, 2023
Amendments to IAS No. 21, "Lack of convertibility"	January 1, 2025

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

IV. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the parent company only

financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(IV) Compliance Statement

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Statements by Securities Issuers.

(V) Basis of Preparation

1. Except for the following items, the consolidated parent company only financial statements have been prepared under the historical cost convention:
  - (1) Financial assets at fair value through profit or loss.
  - (2) Financial assets at fair value through other comprehensive income.
  - (3) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
2. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note V.

(VI) Foreign currency translation

Items included in the Company's parent company only financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The parent company only financial statements are presented in New Taiwan Dollars (NT\$), which is the Company's functional presentation currency.

1. Foreign currency and balances
  - (1) Foreign currency transactions are translated into the functional currency using the spot exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the profit or loss in the period in which they arise.
  - (2) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the spot exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

- (3) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the spot exchange rate prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (4) All other foreign exchange gains and losses based on the nature of those transactions are in the statement of comprehensive income within "other gains and losses".

## 2. Translation from foreign operations

The operating results and financial position of all the company entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (1) Assets and liabilities presented in each balance sheet are translated at the closing rate of the balance sheet date;
- (2) Income and expenses for each statement of comprehensive income are translated at average exchange rates of the current period; and
- (3) All resulting exchange differences are recognized in other comprehensive income.

## (VII) Classification of Current and Non-current Assets and Liabilities

### 1. Assets that meet one of the following criteria are classified as current assets:

- (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (2) Assets held mainly for trading purposes;
- (3) Assets that are expected to be realized within twelve months from the balance sheet date.
- (4) Cash or cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

All assets that do not meet the abovementioned criteria will be classified as non-current by the Company.

### 2. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (1) Liabilities that are expected to be settled in the normal operating cycle.

- (2) Assets held mainly for trading purposes;
- (3) Liabilities that are to be settled within twelve months from the balance sheet date;
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All liabilities that do not meet the abovementioned criteria will be classified as non-current by the Company.

(VIII) Financial assets at fair value through profit or loss (FVTPL)

- 1. Financial assets not measured at amortized cost or at fair value through other comprehensive income.
- 2. On regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- 3. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognized the gain or loss in profit or loss.
- 4. Dividends income is recognized in profit or loss by the Company, when the right to receive dividends is established, it is probable that the economic benefits associated with the dividends will flow in and the amount of the dividends can be measured reliably.

(IX) Financial assets at fair value through profit or loss (FVTOCI)

- 1. The Company may make an irrevocable choice at the time of initial recognition. The fair value change for investments in equity instruments that are not use for trading shall be listed in other comprehensive income.
- 2. On regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- 3. The Company measures financial assets at fair value plus transaction costs on initial recognition which are subsequently re-measured and stated at fair value. Fair value change for equity instruments shall be recognized in other comprehensive income. During derecognition, the accumulated profit or loss previously recognized under other comprehensive income, subsequently, shall not be re-classified to profit and loss but transferred to retained earnings. Dividends income is recognized in profit or loss by the Company, when the right to receive dividends is established, it is probable that the economic benefits associated with the dividends will flow in and the amount of the dividends can be measured

reliably.

(X) Financial assets at amortized cost

1. Refer to those that also meet the following criteria:
  - (1) Financial assets held under the operating model whose objective is to collect the contractual cash flows.
  - (2) The contractual terms of the financial asset generate cash flows at a specific date that are solely for the purpose of paying the principal and the interest on the outstanding principal amount.
2. Trade date accounting is used for financial assets at amortized cost in accordance with trading practice.
3. Financial assets are measured at their fair value plus transaction costs on initial recognition. Interest income and impairment losses are subsequently recognized over the circulation period using the effective interest method in accordance with the amortization procedure, and the gains or losses are recognized in profit or loss when derecognized.
4. The Company holds time deposits that do not meet the definition of cash equivalents. With the short-term nature, the effect of discounting is not significant, so they are measured as an investment.

(XI) Accounts and notes receivable

1. Accounts and notes receivable are accounts and notes with unconditional right to receive the consideration for the transfer of goods or services in accordance with contractual agreements.
2. Short-term accounts and notes receivable with unpaid interest are measured at their original invoice amount because the effect of discounting is not significant.

(XII) Impairment of Financial Assets

At the end of each balance sheet date, for financial assets at amortized cost, an allowance for losses is provided for at the 12-month expected credit loss amount, taking into account all reasonable and probable information (including forward-looking information) for financial assets whose credit risk has not increased significantly since initial recognition. If the credit risk has increased significantly since initial recognition, the allowance for loss is measured at the expected credit loss over the period of time; for accounts receivable that do not contain significant financial components, the allowance for loss is measured at the expected credit loss over the duration.

(XIII) De-recognition of financial assets

The Company derecognizes financial assets when meeting one of the following conditions:

1. The contractual right to receive the cash flow from the financial asset has expired.
2. The contractual rights to cash flows from financial assets have been transferred, along with the majority of the risks and rewards that were previously associated with ownership of the financial assets.
3. While there has been a transfer of contractual rights to cash flows generated by financial assets, no retention of control over said assets has occurred.

(XIV) Lease transactions for the lessors - Operating leases

Rental income from operating lease deducted any incentives given to the lessee was recognized as current profit and loss according to straight line method of amortization over the lease term.

(XV) Inventories

Inventories are recorded at cost adopting the perpetual inventory system and the cost structure adopting the moving average method. Inventory at the end of the period is valued based on the lower amount between cost or net realizable value. The item by item approach is employed when evaluating the costs and net realizable value. Net realizable value is the balance of the estimated selling price for the normal business process less the estimated cost of sales to complete the sales.

(XVI) Investments and subsidiaries adopting the equity method.

1. A subsidiary is an entity (including a structured entity) that is controlled by the Company, and the Company controls the entity when the Company is exposed to variable remuneration from its participation in the entity or has rights to such variable remuneration and has the ability to affect such remuneration through its power over the entity.
2. Unrealized gains or losses on transactions between the Company and its subsidiaries have been eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
3. The Company recognizes the share of profit or loss accounted after acquiring a subsidiary under current profit or loss and recognizes the share of other comprehensive income under other comprehensive income. If the share of loss recognized by the Company for the subsidiary is equal to or more than the Company's equity for the subsidiary, it shall continue to be recognized as loss in proportion of the shares held by the Company.
4. Any changes to shareholding of the subsidiary that does not result in the loss of controlling interests (and the non-controlling interests for transactions) will be

treated as an equity transaction and regarded as a transaction with the proprietor. The difference between the amount of the adjustment to the non-controlling interest and the fair value of the consideration paid or received is recognized directly in equity.

5. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the association or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.
6. According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the profit or loss during the period and other comprehensive income presented in parent company only financial reports shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis.

(XVII) Property, plant and equipment

1. Acquisition cost is the recording basis for property, plant and equipment at the time of acquisition and the related interest is capitalized during the period of purchase and construction.
2. The subsequent costs are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance expenses are charged to profit or loss during the financial period in which they are incurred.
3. Property, plant and equipment are measured at cost model subsequently. Land is not depreciated. Other property, plant and equipment are depreciated using



the straight-line method over their estimated useful lives. If each property, plant and equipment consist of a significant part, it is recognized in depreciation separately.

4. The Company reviews the depreciation methods, useful lives and residual values at the end of each financial year. If the expected values of residual values and useful lives differ from previous estimates, or if there is a significant change in the expected pattern of consumption of future economic benefits embodied in an asset, the change is accounted for in accordance with IAS 8, "Accounting policies, changes in accounting estimates and errors", from the date of the change. The useful life of each asset item is as follows:

Buildings	2 years ~ 43 years
Computers and communication facilities	2 years ~ 8 years
Transportation equipment	5 years
Office equipment	7 years ~ 15 years
Leasehold improvement	5 years ~ 20 years
Other equipment	2 years ~ 20 years

5. Business facilities are listed as actual cost at the time of acquisition. Of which, uniforms and kitchenware are amortized on average 2~3 years. Remaining business facilities are transferred to expenses when there are actual damages occurred.

(XVIII) Lessee's lease transactions - right-of-use assets/lease liabilities

1. On the days the lease assets are provided for use by the Company, these assets are recognized as the right-of-use assets and lease liabilities. When the lease contracts are short-term leases or leases for which the underlying asset is of low value, the lease payments are recognized as expenses during the lease period using the straight-line method.
2. Lease liabilities are recognized at the lease commencement date by discounting outstanding lease payments at the present value of the Company's incremental borrowing rate, with lease payments consisting of:
  - (1) Fixed rental payment deducts any rental incentive collectible.
  - (2) Variable lease payments that depend on a particular index or rate.Interest expense is provided for under the amortized cost method over the lease period using the interest method of subsequent adoption. Lease liabilities are reassessed and right-of-use assets are remeasured when there is a change in the lease period or lease payments that is not a contractual modification.
3. Right-of-use assets are recognized at cost at the inception date of the lease and

the cost consists of:

- (1) The original measurement amount of the lease liability;
- (2) Any lease payments made on or before the commencement date;
- (3) The estimated cost of dismantling, removing and restoring the subject asset to its location, or restoring the subject asset to the condition required by the terms and conditions of the lease.

Depreciation expense is provided on the earlier of the expiration of the useful life of the right-of-use asset or the expiration of the lease period, measured subsequently using the cost model. When a lease liability is reassessed, the right-of-use asset is adjusted for any re-measurement of the lease liability.

4. For lease modifications that reduce the scope of a lease, the lessee will reduce the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognize the difference between the reduced carrying amount and the re-measurements of the lease liabilities in the profit or loss.

(XIX) Intangible assets

The Regent brand trademark and franchise for the Taiwan area are recognized at acquisition cost. As the brand trademark and franchise is regarded as continuing to generate cash inflow in the foreseeable future after evaluation, it is treated with uncertain useful life time, not for amortization and the impairment test is to be applied each year on a regular basis.

(XX) Other non-current assets

They refer to office ornaments such as the purchases of works of art covering traditional Chinese paintings, print and antique which are recorded as cost. Normally, they are not accounted in depreciation but the costs are write-off during actual disposal.

(XXI) Impairment of non-financial assets

1. The Company recognized impairment loss when there is an indication that the recoverable amount of an asset is less than its carrying amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to dispose of. When the circumstance for recognizing impairment loss for an asset in previous year does not exist or reduce, the impairment loss shall be reversed. The increased carrying amount in an asset due to the reversal of impairment loss shall not exceed the carrying amount of the asset after deducting depreciation or amortization if the impairment loss is not recognized.
2. The Group shall assess on a regular basis the recoverable amount of intangible

assets with uncertain useful life. When the recoverable amount is lower than the carrying amount of the asset, it shall be recognized as impairment loss.

(XXII) Accounts and notes payable

1. Accounts and notes payable represent debts incurred for the purchase of raw materials, goods or services on credit and notes payable for operating and non-operating purposes.
2. Short-term accounts and notes payable with unpaid interest are measured at their original invoice amount because the effect of discounting is not significant.

(XXIII) Derecognition of financial liabilities

A financial liability is derecognized when the contract's obligation is either discharged or canceled or expired.

(XXIV) Provisions for liabilities

Decommissioning liabilities which are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. Future operating losses shall not be recognized in provisions.

(XXV) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at the non-discounted amount expected to be paid and are recognized as expenses when the related services are rendered.

2. Retirement pension

(1) Defined contribution plan

For the defined contribution plan, the amount to be contributed to the pension fund is recognized as pension cost on an accrual basis. Pre-paid contributions are recognized as assets to the extent that they are refundable in cash or reduce future payments.

(2) Defined benefit plan

A. The net obligation under a defined benefit plan is calculated by discounting the amount of future benefits earned by employees for current or past service and subtracting the fair value of plan assets

from the present value of the defined benefit obligation as of the end of each balance sheet date. Independent actuaries will calculate the net defined benefit obligation using the projected unit credit method every year. The discount rate is based on the market yields of the government bonds (at the balance sheet date) which is consistent with the currency and period of the balance sheet date and defined benefit plan.

B. Re-measurement of defined benefit plans is recognized in other comprehensive income during the period in which it occurs, and is presented in retained earnings.

3. Employees' payroll and bonus payable and director remuneration  
Profit sharing remuneration for employees and for directors are recognized as expenses and liabilities when there is a legal or constructive obligation and the amount can be reasonably estimated. If the actual distribution amount differs from the estimated amount in subsequent resolutions, the difference is treated as a change in accounting estimate. The basis for the calculation of shares for the employee remuneration is the closing price of the shares one day before the day of the board resolution.

(XXVI) Income tax

1. Income tax expense is comprised of current and deferred tax. Income taxes are recognized in profit or loss, except for those related to items included in other comprehensive income or directly in equity, which are included in other comprehensive income or directly in equity, respectively.
2. The Company has computed the income tax for the current period complying with tax rates that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and where taxable income has incurred. Management regularly evaluates the status of income tax returns with respect to applicable income tax regulations and, where applicable, estimates the income tax liability based on the expected tax payments to be made to the tax authorities. Additional income tax is levied on undistributed earnings in accordance with the Income Tax Act. Additional income tax expense on undistributed earnings is recognized when the actual distribution of earnings is approved by the shareholders in the year following the year in which the earnings are generated.
3. Deferred income tax is recognized using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts on the parent company only balance sheet. Deferred income tax liabilities generated from the initial recognition of goodwill is not

recognized. The same goes to deferred income tax generated from the initial recognition of assets or liabilities in a transaction (excluding amalgamation of companies) and that the accounting profit or taxable income (tax loss) is not influenced at the time of transaction. Deferred income tax is provided on temporary differences incurred from investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is calculated using the tax rates (and tax laws) that are expected to apply when the deferred income tax asset is realized or the deferred income tax liability is settled, if enacted or substantively enacted by the end of each balance sheet date.

4. Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized, and unrecognized and recognized deferred income tax assets are reassessed at the end of each balance sheet date.
5. Current income tax assets and current income tax liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities and there is an intention to settle the assets and settle the liabilities on a net basis or simultaneously. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities and when the deferred income tax assets and liabilities are incurred by the same taxable entity or by different taxable entities that intend to settle or realize the assets and liabilities simultaneously on a net basis.

(XXVII) Capital stock

Common stock is classified as equity. The incremental costs directly attributable to the issuance of new shares or stock options are recorded as a deduction from equity, net of income tax.

(XXVIII) Dividends

Dividends distributed to the Company's shareholders are recognized in the financial statements when the Company's shareholders resolve to distribute the dividends. Cash dividends distributed are recognized as a liability, while stock dividends distributed are recognized as stock dividends to be distributed and transferred to common stock on the base date of issuance of new shares.

(XXIX) Revenue

1. The Company mainly provides food and beverage services, guest accommodation, brand licensing, and related services. The excess of service

rendered over receivables from customers is presented as a contract asset; oppositely, the excess of receivables from customers over service rendered is presented as a contract liability.

- (1) The food and beverage service is recognized at the point of time when the product is sold to the customer. The transaction price of the sale of goods is collected immediately from customer at the point of time when the customer purchases products.
- (2) Revenue is recognized for guest accommodation when service is provided to customers within the reporting period. Customers make payments based on agreed schedule.
- (3) The brand licensing refers to the signing of contract between the Company and customer for the transfer of the Company's brand to the customer for usage. Since licensing can be differentiated, the licensing revenue is determined based on its nature for recognition during the licensing period. The calculation of the variable authorization revenue is based on a certain percentage of the customer's turnover and is subsequently recognized in revenue when sales occurred.

## 2. Financial components

On the contract signed by the Company and the customer, the time interval between the time the products or services are promised to be transferred to the customer and the customer payment time period has not exceed more than one year. Therefore, the Company has not adjusted transaction price to reflect the time value of money.

### (XXX) Government grants

Government grants are not recognized at fair value until there is reasonable assurance that the company will comply with conditions attaching to them and that the subsidies will be received. If the nature of the government grants is to compensate the expenses incurred by the Company, such grants shall be recognized as the current profit or loss on a systematic basis during the period in which relevant expenses are incurred.

## V. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The management has already exercised its judgments in deciding the accounting policy for adoption when the Company prepares this parent company only financial report.

Accounting estimations and assumptions are also made for reasonable expectations of future events based on the situation at the time of the balance sheet date. They might be differences between the significant accounting estimations and assumptions made and the actual outcomes. Assessments and adjustments will be made constantly taking into

account the historical experiences and other factors. These estimations and assumptions possess risk of resulting in material adjustments to the carrying amount of assets and liabilities in the next fiscal year. Please refer to the explanation below on the uncertainties to critical accounting judgments and significant estimates and assumptions:

(XXXI) Significant judgments in the adoption of accounting policies

None of such situations.

(XXXII) Significant accounting estimates and assumptions

1. Assessment of impairment of tangible and intangible assets (other than goodwill)

In the asset impairment assessment process, the Company relies on subjective judgment and relies on asset use patterns and industry characteristics to determine the individual cash flows, asset useful lives, and potential future revenues and expenses for specific groups of assets. Any change in estimates due to changes in economic conditions or in the Company's strategy could result in a material impairment in the future.

2. Calculation of net defined benefit liabilities

To calculate the present value of the defined benefit obligations, the Company must use judgment and estimates to determine the relevant actuarial assumptions as of the end of the reporting period, including discount rates and future salary growth rates. Any changes in actuarial assumptions could materially affect the amount of the Company's net defined benefit liabilities obligation. As of December 31, 2023, the carrying amount of the Company's net defined benefit liabilities were NT\$53,129.

VI. Note to Significant Accounting Items

(I) Cash

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and revolving funds	\$ 13,090	\$ 10,286
Checking accounts	13,228	13,213
Demand deposit	<u>30,720</u>	<u>6,396</u>
Total	<u>\$ 57,038</u>	<u>\$ 29,895</u>

1. The Company maintains good credit with various financial institutions to divert credit risks. There are low expectations for the likelihood of contract breaches.
2. The bank deposit that the Company has to deposit into the performance guarantee trust account due to the standard contracts for gift certificates as of December 31, 2023 and 2022 are NT\$106,565 and NT\$157,734, recorded under "Financial assets at amortized cost - current". Please refer to Note VI (IV) and Note VIII for

the details.

3. As of December 31, 2023 and 2022, the Company held time deposits that are maturing at more than three months at NT\$60,192 and NT\$58,349, recorded under “Financial assets at amortized cost - current”. Please refer to Note VI (IV) for details.
4. As of December 31, 2023 and 2022, the Group held certificates of deposit - restricted at NT\$55,742 and NT\$54,534, recorded in “Financial assets at amortized cost - non-current”. Please refer to Note VI (IV) and Note VIII for details.

(II) Financial asset measured at fair value through profit or loss - Current

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current item:		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 2,488,584	\$ 2,039,226
Valuation adjustment	9,132	14,151
Total	\$ 2,497,716	\$ 2,053,377

1. Financial assets measured at fair value through (loss) profit recognized in profit or loss, their statements are as follows:

Item	2023	2022
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 3,506	\$ 7,404

2. Credit risk information relating to financial assets at fair value through profit or loss (FVTPL). Please refer to Note XII (II).

(III) Financial assets measured at fair value through other comprehensive income - Non-current

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Noncurrent item:		
Equity instruments		
Private company stock	\$ 500	\$ 500

1. The Company chooses to classify strategic investments as financial assets at fair value through profit or loss. The fair values of these investments as of December 31, 2023 and 2022 are NT\$500 for both years.
2. The Company’s maximum exposure to credit risk for financial assets at fair value through other comprehensive income, before consideration of associated collateral



held or other credit enhancements as of December 31, 2023 and 2022 are NT\$500 for both years.

(IV) Financial assets at amortized cost

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current item:		
Restricted bank deposit - trust gift certificate	\$ 106,565	\$ 157,734
Time deposits maturing in more than three months	<u>60,192</u>	<u>58,349</u>
Total	<u>\$ 166,757</u>	<u>\$ 216,083</u>
Noncurrent item:		
Pledged time certificate of deposit	<u>\$ 55,742</u>	<u>\$ 54,534</u>

1. Financial assets at amortized cost recognized in profit or loss, their statements are as follows:

	<u>2023</u>	<u>2022</u>
Interest income	<u>\$ 7,333</u>	<u>\$ 343</u>

2. The Company's maximum exposure to credit risk for financial assets at amortized costs, before consideration of associated collateral held or other credit enhancements was NT\$222,499 and NT\$270,617 as of December 31, 2023 and 2022, respectively.

3. There have been no arrangements of the Company's financial assets at amortized cost pledged to others as collateral, please refer to Note VIII.

4. Credit risk information relating to financial assets at amortized cost. Please refer to Note XII (II). The trading counterparts of the Company's investment on the certificates of deposit are financial institutions of excellent credit. The expected possibility of occurrence of violation is fairly low.

(V) Notes and accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	<u>\$ 14,533</u>	<u>\$ 9,121</u>
Accounts receivable	\$ 192,260	\$ 160,762
Less: Loss allowance	<u>( 1,186)</u>	<u>( 1,186)</u>
	<u>\$ 191,074</u>	<u>\$ 159,576</u>

1. Aging analysis of accounts receivables and notes receivables is stated below:

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	<u>\$ 192,260</u>	<u>\$ 14,533</u>	<u>\$ 160,762</u>	<u>\$ 9,121</u>

The number of overdue days forms the basis of the aging analysis for the above.

- As of December 31, 2023 and 2022, and January 1, 2022, the balance for the receivables (including notes receivable) for the contracts between the Company and customers are NT\$206,793, NT\$169,883, and NT\$148,989, respectively.
- The guarantee deposits for the accounts receivable that the Company held as of December 31, 2023 and 2022 are NT\$167,261 and NT\$169,534 respectively, recorded in "Other non-current liabilities".
- Without considering the collateral or other credit enhancements held, the maximum amount of exposure that best represents the credit risk of the notes receivable of the Company as of December 31, 2023 and 2022 was \$14,533 and NT\$9,121, respectively; the accounts receivable of the Company as of December 31, 2023 and 2022 with the maximum credit risk exposure amounted to NT\$191,074 and NT\$159,576, respectively.
- Please refer to Note XII (II) for the related credit risk information of the notes and accounts receivable.

(VI) Inventories

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Food products	\$ 15,082	\$ 24,857
Beverages (including alcohol drinks)	<u>7,673</u>	<u>6,552</u>
	<u>\$ 22,755</u>	<u>\$ 31,409</u>

The cost of inventories recognized in operating costs and operating expenses for 2023 and 2022 are NT\$1,113,503 and NT\$990,606, respectively.

(VII) Investments accounted for using equity method

1. Statements of investments in subsidiaries are as below:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
GRAND FORMOSA TAROKO HOTEL CORPORATION (Grand Formosa Taroko)	\$ 377,511	\$ 371,935
SILKS PALACE AT NATIONAL PALACE MUSEUM CORPORATION (Silks Palace At National Palace Museum)	151,374	154,506
Silks International Investment Inc. (Silks)	309,397	296,004
Regent Apartment Building Management and Maintenance Co., Ltd. (Regent Apartment Building)	70,570	53,440
Silks Global Holding, Limited (Silks Global)	1,684,494	1,664,594
	<u>\$ 2,593,346</u>	<u>\$ 2,540,479</u>

2. For subsidiaries accounted for using the equity method in 2023 and 2022, the share of profit (loss) recognized in the financial statements audited and verified by the CPAs during the same period are as below:

<u>Investee</u>	<u>2023</u>	<u>2022</u>
Grand Formosa Taroko	\$ 98,924	\$ 102,401
Silks Palace At National Palace Museum Corp.	( 3,132)	( 14,356)
Silks	33,477	40,283
Regent Apartment Building	30,247	29,149
Silks Global	20,742	( 5,183)
	<u>\$ 180,258</u>	<u>\$ 152,294</u>

3. For information on the Company's subsidiaries, please refer to the Company's 2022 Consolidated Financial Statements, Note IV (III).

4. Silks Global has in December 2022 proceeded with cash capital reduction of US\$1,900 thousand, a total of NT\$58,254 capital stock returned. Related capital reduction procedures have been completed on December 23, 2022.

5. Silks A/S, a subsidiary of Silks Global, was approved for dissolution by the board of directors on October 17, 2022. The record date for dissolution was October 31, 2022, which was written off on June 12, 2023. Liquidation was completed on August 7, 2023.

6: Silks Denmark (BVI) Limited has in October 2022 proceeded with cash capital reduction of US\$1,502 thousand. Related capital reduction procedures have been

completed on November 14, 2022. In addition, Silks Denmark (BVI) Limited was dissolved by the directors' declaration on August 31, 2023, and the liquidation was completed on September 15, 2023.

7. The investment income of Silks A/S, a subsidiary of Silks Global in 2022, was estimated based on the financial statements audited by other independent auditors.

(VIII) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Computers and communication facilities</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Business facilities</u>	<u>Leasehold improvement</u>	<u>Others</u>	<u>Uncompleted engineering and equipment to be inspected</u>	<u>Total</u>
January 1, 2023										
Cost	\$ 127,057	NT\$1,923,843	\$ 27,050	\$ 12,434	\$ 21,832	\$ 147,997	\$ 453,639	\$ 820,373	\$ 11,422	\$ 3,545,647
Accumulated depreciation	<u>-</u>	<u>( 1,316,513)</u>	<u>( 12,195)</u>	<u>( 7,794)</u>	<u>( 13,473)</u>	<u>-</u>	<u>( 202,440)</u>	<u>( 517,154)</u>	<u>-</u>	<u>( 2,069,569)</u>
	<u>\$ 127,057</u>	<u>\$ 607,330</u>	<u>\$ 14,855</u>	<u>\$ 4,640</u>	<u>\$ 8,359</u>	<u>\$ 147,997</u>	<u>\$ 251,199</u>	<u>\$ 303,219</u>	<u>\$ 11,422</u>	<u>\$ 1,476,078</u>
<u>112 years</u>										
January 1	\$ 127,057	\$ 607,330	\$ 14,855	\$ 4,640	\$ 8,359	\$ 147,997	\$ 251,199	\$ 303,219	\$ 11,422	\$ 1,476,078
Additions	-	35,809	6,485	-	-	17,935	115	59,258	40,474	160,076
Disposal	-	( 454)	( 294)	-	-	-	( 3,237)	( 788)	-	( 4,773)
Re-classification	-	17,500	114	-	142	2,243	400	22,153	( 40,309)	2,243
Depreciation expense	-	( 108,050)	( 6,182)	( 1,980)	( 1,346)	-	( 26,273)	( 93,538)	-	( 237,369)
Reclassified to expenses	-	-	-	-	-	-	-	-	( 934)	( 934)
Business facilities transferred to expenses	-	-	-	-	-	( 22,028)	-	-	-	( 22,028)
December 31	<u>\$ 127,057</u>	<u>\$ 552,135</u>	<u>\$ 14,978</u>	<u>\$ 2,660</u>	<u>\$ 7,155</u>	<u>\$ 146,147</u>	<u>\$ 222,204</u>	<u>\$ 290,304</u>	<u>\$ 10,653</u>	<u>\$ 1,373,293</u>
December 31, 2023										
Cost	\$ 127,057	\$ 1,781,068	\$ 28,072	\$ 5,724	\$ 17,714	\$ 146,147	\$ 437,859	\$ 644,735	\$ 10,653	\$ 3,199,029
Accumulated depreciation	<u>-</u>	<u>( 1,228,933)</u>	<u>( 13,094)</u>	<u>( 3,064)</u>	<u>( 10,559)</u>	<u>-</u>	<u>( 215,655)</u>	<u>( 354,431)</u>	<u>-</u>	<u>( 1,825,736)</u>
	<u>\$ 127,057</u>	<u>\$ 552,135</u>	<u>\$ 14,978</u>	<u>\$ 2,660</u>	<u>\$ 7,155</u>	<u>\$ 146,147</u>	<u>\$ 222,204</u>	<u>\$ 290,304</u>	<u>\$ 10,653</u>	<u>\$ 1,373,293</u>

	<u>Land</u>	<u>Buildings</u>	<u>Computers and communication facilities</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Business facilities</u>	<u>Leasehold improvement</u>	<u>Others</u>	<u>Uncompleted engineering and equipment to be inspected</u>	<u>Total</u>
January 1, 2022										
Cost	\$ 127,057	\$ 1,956,325	\$ 27,091	\$ 13,630	\$ 25,933	\$ 141,061	\$ 455,304	\$ 1,040,225	\$ 6,900	\$ 3,793,526
Accumulated depreciation	-	( 1,290,317)	( 16,287)	( 6,784)	( 15,632)	-	( 177,903)	( 658,668)	-	( 2,165,591)
	<u>\$ 127,057</u>	<u>\$ 666,008</u>	<u>\$ 10,804</u>	<u>\$ 6,846</u>	<u>\$ 10,301</u>	<u>\$ 141,061</u>	<u>\$ 277,401</u>	<u>\$ 381,557</u>	<u>\$ 6,900</u>	<u>\$ 1,627,935</u>
<u>January 1, 2022</u>										
	\$ 127,057	\$ 666,008	\$ 10,804	\$ 6,846	\$ 10,301	\$ 141,061	\$ 277,401	\$ 381,557	\$ 6,900	\$ 1,627,935
Additions	-	40,971	8,170	-	-	22,279	285	42,340	18,494	132,539
Re-classification	-	12,088	1,367	-	-	3,093	-	517	( 13,972)	3,093
Depreciation expense	-	( 111,737)	( 5,486)	( 2,206)	( 1,942)	-	( 26,487)	( 121,195)	-	( 269,053)
Business facilities transferred to expenses	-	-	-	-	-	( 18,436)	-	-	-	( 18,436)
December 31	<u>\$ 127,057</u>	<u>\$ 607,330</u>	<u>\$ 14,855</u>	<u>\$ 4,640</u>	<u>\$ 8,359</u>	<u>\$ 147,997</u>	<u>\$ 251,199</u>	<u>\$ 303,219</u>	<u>\$ 11,422</u>	<u>\$ 1,476,078</u>
December 31, 2022										
Cost	\$ 127,057	\$ 1,923,843	\$ 27,050	\$ 12,434	\$ 21,832	\$ 147,997	\$ 453,639	\$ 820,373	\$ 11,422	\$ 3,545,647
Accumulated depreciation	-	( 1,316,513)	( 12,195)	( 7,794)	( 13,473)	-	( 202,440)	( 517,154)	-	( 2,069,569)
	<u>\$ 127,057</u>	<u>\$ 607,330</u>	<u>\$ 14,855</u>	<u>\$ 4,640</u>	<u>\$ 8,359</u>	<u>\$ 147,997</u>	<u>\$ 251,199</u>	<u>\$ 303,219</u>	<u>\$ 11,422</u>	<u>\$ 1,476,078</u>

1. The Company is not in the circumstance of capitalizing on interest from property, plant and equipment for the years 2023 and 2022.
2. For the depreciation and useful life of the Company's Property, plant and equipment, please refer to explanation in Note IV (XIV).

(IX) Lease transactions - Lessee

1. Underlying assets of lease by the Company include buildings and operation venue. The lease period is from 1984 to 2035. All lease contracts are negotiated separately and include various terms and conditions. The information of the carrying value of the Company's right-of-use assets and the depreciation expenses recognized are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Book value</u>	<u>Book value</u>
Land	\$ 831,015	\$ 911,142
Building	<u>1,867,298</u>	<u>2,019,997</u>
Total	<u>\$ 2,698,313</u>	<u>\$ 2,931,139</u>

	<u>2023</u>	<u>2022</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Land	\$ 80,127	\$ 63,798
Building	<u>211,807</u>	<u>200,646</u>
Total	<u>\$ 291,934</u>	<u>\$ 264,444</u>

2. The Company has signed the contract on establishing the rights of superficies with the Taipei City government in 1976. The retaining period is counted starting from the date of completion (1984) for the registration of the rights of superficies, for a period of 25 years, and extended further for another 25 year for a total of no more than 50 years. During the contract period, the Company shall pay rent to the Taipei City government each year according to a certain percentage of the announced land price. If the agreed rent price is insufficient to cover the land value tax payments to the Taipei City government, adjustments shall be made according to the actual land value tax amount paid each year. When the term expires, the Company shall not arbitrarily dismantle the fixed equipment attached to the building, and shall transfer both the building and the fixed equipment back to the Taipei City government unconditionally.
3. The added right-of-use assets for the Company in 2023 and 2022 are NT\$93,204 and NT\$59,536.

4. Information on profit and loss item relating to the lease contract is as follows:

	<u>2023</u>		<u>2022</u>
<u>Items with influence to profit and loss for the current period</u>			
Interest expense on lease liabilities	\$ 47,954	\$	58,211
Expense on short-term lease contracts	3,837		3,559
Expenses of low value leased assets	-		300
Variable lease payments	43,550		20,064
Lease modification losses (gains)	197	(	151)

5. The lease cash outflow for the Company in 2023 and 2022 are NT\$358,233 and NT\$291,845.

6. Impact of change of lease payment to lease liabilities. Please refer to Note IX (II) 3.

7. The Company adopts the practical expedient of the COVID-19-Related Rent Concessions. The profits of NT\$0 and NT\$31,098 from lease payment changes generated by rent concessions in 2023 and 2022, respectively, are recognized in the deduction of depreciation expense for right-of-use assets.

(X) Lease transactions - Lessor

1. The Company leases various assets including underground stores and parking lots. Rental contracts are typically made for periods of 2019 to 2028. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

2. The profits recognized by the Company based on the operating lease contracts in 2023 and 2022 are as follows:

	<u>2023</u>		<u>2022</u>
Rental income	<u>\$ 235,976</u>	\$	<u>222,228</u>
Rent revenue recognized as variable lease payments	<u>\$ 382,966</u>	\$	<u>323,555</u>

3. Analysis on the expiration dates of the lease payments for the operating leases are as follows:

	<u>December 31, 2023</u>		<u>December 31, 2022</u>
Not later than 1 year	\$ 269,582	\$	216,735
More than 1 year but less than 2 years	174,079		149,324
More than 2 years but less than 3 years	119,064		81,571
More than 3 years but less than 4 years	94,023		40,447
More than 4 years but less than 5 years	46,856		24,480
More than 5 years	-		8,788
	<u>\$ 703,604</u>	\$	<u>521,345</u>



(XI) Intangible assets

	<u>Trademark, franchise and brand management rights</u>	
	<u>2023</u>	<u>2022</u>
	<u>Cost</u>	<u>Cost</u>
January 1 and December 31	<u>\$ 20,923</u>	<u>\$ 20,923</u>

The Company has acquired the Regent trademark and franchise in Taiwan Region in June 2018. Its scope of use is as follows:

1. The Company owns the perpetual license for Regent in Taiwan region and it is allowed to expand marketing activities for Regent Taiwan overseas. IHG is also allowed to promote Regent business in Taiwan.
2. The Company is not permitted to use the Regent trademark in its overseas marketing, nor for use or licensing of the trademark.
3. The Company can only use Regent Taipei trademark in related retail marketing channel in Taiwan and overseas.
4. For the name of the Regent domain name, the Company is limited to using only Regent Taiwan.com, Regent Taipei.com or Regentxxxx.com.tw.
5. If the Company has new Regent Hotel establishments in the future, it shall follow the brand standard established by IHG in addition to that of Regent Taipei.

(XII) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Collection payable (Note)	\$ 367,280	\$ 192,285
Salary and wages payable	308,051	272,625
Sales tax payable	43,294	30,364
Equipment payable	28,295	34,542
Insurance expenses payable	22,396	76,640
Property tax payable	16,838	16,978
Advertisement expense payable	13,865	11,439
Utilities expense payable	9,450	8,350
Retirement pension payable	9,244	27,743
Others	<u>187,379</u>	<u>140,402</u>
	<u>\$ 1,006,092</u>	<u>\$ 811,368</u>

Note: Mainly refers to the collections that need to be paid after opening the invoice on behalf of the tenants of the shopping mall and adjusting the commission amount.

(XIII) Lease liabilities

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Lease liabilities - current	<u>\$ 251,011</u>	<u>\$ 255,366</u>
Lease liabilities - non-current	<u>\$ 2,542,776</u>	<u>\$ 2,742,009</u>

Total amount for the interest expense and cash outflow for the current period, please refer to Note VI (IX).

(XIV) Retirement pension

1. (1) In accordance with the Labor Standards Act, the Company have a defined benefit retirement plan that applies to all regular employees' years of service prior to the implementation of the Labor Standards Act on July 1, 2005, and to employees who elect to continue to be subject to the Labor Standards Act after the implementation of the Labor Standards Act for subsequent years of service. For employees who meet the retirement criteria, pension payments are calculated based on the years of service and the average salary for the six months prior to retirement, with two bases for each year of service up to and including 15 years and one base for each year of service in excess of 15 years, subject to a maximum accumulation limit of 45 bases. The Company deposit a monthly pension fund of 2% of salaries and wages to a dedicated account in the Bank of Taiwan in the name of the Supervisory Committee of Labor Retirement Reserve. Before the end of each year, the Company estimate the balance in the dedicated account of the Labor Retirement Reserve. If the balance is not sufficient to pay the aforementioned amount of pension benefits to employees eligible for retirement in the following year, the Company will make a lump-sum appropriation for the difference by the end of March of the following year.

(2) Amounts recognized in the balance sheet are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligation	(\$ 139,550)	(\$ 141,295)
Fair value of plan assets	<u>86,421</u>	<u>82,536</u>
Net defined benefit liabilities	<u>(\$ 53,129)</u>	<u>(\$ 58,759)</u>

(3) Changes in the net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities</u>
2023			
Balance as of January 1	(\$ 141,295)	\$ 82,536	(\$ 58,759)
Service cost for the current period	( 2,642)	-	( 2,642)
Interest (expenses) revenues	( 1,837)	1,073	( 764)
	<u>( 145,774)</u>	<u>83,609</u>	<u>( 62,165)</u>
Re-measurements:			
Impacts from change in financial assumptions	( 1,003)	-	( 1,003)
Experience adjustments	781	418	1,199
	<u>( 222)</u>	<u>418</u>	<u>196</u>
Allocate pensions	-	8,840	8,840
Retirement pension payable	6,446	( 6,446)	-
Balance as of December 31	<u>(\$ 139,550)</u>	<u>\$ 86,421</u>	<u>(\$ 53,129)</u>

	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities</u>
2022			
Balance as of January 1	(\$ 169,434)	\$ 83,415	(\$ 86,019)
Service cost for the current period	( 2,496)	-	( 2,496)
Interest (expenses) revenues	( 1,186)	584	( 602)
	<u>( 173,116)</u>	<u>83,999</u>	<u>( 89,117)</u>
Re-measurements:			
Impacts from change in financial assumptions	6,611	-	6,611
Experience adjustments	4,088	7,052	11,140
	<u>10,699</u>	<u>7,052</u>	<u>17,751</u>
Allocate pensions	-	12,607	12,607
Retirement pension payable	21,122	( 21,122)	-
Balance as of December 31	<u>(\$ 141,295)</u>	<u>\$ 82,536</u>	<u>(\$ 58,759)</u>

(4) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with Article 6 of the "Regulations for Revenues, Expenditures, Safeguarding and Utilization of the Labor Retirement Fund" (i.e. Deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate and its securitization products, and so forth) within the proportion and amount scope of the items established in the annual investment and utilization plan for the fund. Related operations are monitored and supervised by the Labor Pension Fund Supervisory Committee. The minimum annual earnings to be distributed from the fund shall not be less than the earnings calculated based on the two-year time deposit rate of the local bank. If there is any deficiency, the national treasury shall make up the deficiency after approval by the competent authority. The Company has no right to participate in managing and operating the fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 Paragraph 142. The composition of fair value of the fund's total assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(5) Summary of the principal actuarial assumptions used is as follows:

	<u>2023</u>	<u>2022</u>
Discounted rate	1.20%	1.30%
Increase rate of future salaries	3.00%	3.00%

Estimations for the assumptions of future mortality rates for the years ended December 31, 2023 and 2022 were based on the sixth empirical life tables of the preset Taiwan life insurance industry.

The present value of defined benefit obligation is impacted by the change in the main actuarial assumption adopted. Its analysis is as follows:

	<u>Discounted rate</u>		<u>Increase rate of future salaries</u>	
	<u>Increase 1%</u>	<u>Decrease 1%</u>	<u>Increase 1%</u>	<u>Decrease 1%</u>
December 31, 2023				
Effects of present value of defined benefit obligation	<u>(\$ 9,941)</u>	<u>\$ 10,257</u>	<u>\$ 8,826</u>	<u>(\$ 8,612)</u>

	<u>Discounted rate</u>		<u>Increase rate of future salaries</u>	
	<u>Increase 1%</u>	<u>Decrease 1%</u>	<u>Increase 1%</u>	<u>Decrease 1%</u>
December 31, 2022				
Effects of present value of defined benefit obligation	<u>(\$ 10,425)</u>	<u>\$ 10,768</u>	<u>\$ 9,268</u>	<u>(\$ 9,032)</u>

The above sensitivity analysis is performed to analyze the impacts brought about by the change of only one assumption under the situation that other assumptions remain unchanged. In practice, many changes in assumptions are very likely to be correlated. The method of analyzing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

- (6) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2024 amounts to NT\$3,406.
- (7) As of December 31, 2023, the weighted average duration of the retirement plan is 8 years. Analysis of maturity of pension payment as follows:

In the coming 1 year	\$	25,999
In the coming 2 year		9,172
In the coming 3 year		9,840
In the coming 4 year		10,468
In the coming 5 year		8,443
In the coming 6~10 years		<u>42,227</u>
	\$	<u>106,149</u>

2. (1) Effective July 1, 2005, the Company have a defined contribution pension plan under the Labor Pension Act, which is applicable to the Company's domestic employees. The Company make monthly contributions of 6% of salary to the employees' personal accounts at the Bureau of Labor Insurance for the employees who choose to be subject to the labor pension scheme under the Labor Pension Act. The employees' pensions are paid in the form of monthly pensions or lump-sum pensions depending on the amount of the employees' individual pension accounts and accumulated earnings.
- (2) The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2023 and 2022 were NT\$54,171 and NT\$46,510.

(XV) Other non-current liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Net defined benefit liabilities	\$ 53,129	\$ 58,759
Guarantee deposits received	167,261	169,534
Tax payable	23,662	95,707
Decommissioning costs	<u>24,538</u>	<u>32,450</u>
	<u>\$ 268,590</u>	<u>\$ 356,450</u>

1. Details of the net defined benefit liabilities, please refer to Note VI (XIV).
2. The guarantee deposits is mainly the collection of lease deposit of the shopping street tenants and the membership storage amount.
3. Tax payables are that the National Taxation Bureau, Ministry of Finance supporting taxpayer from the impacts of the COVID-19 pandemic, providing payment installments for those maturing in more than one year of the 2020 and 2021 profit-seeking enterprise income tax, 2021 business tax, and the 2021 and 2022 house tax.
4. According to the announced policy and suitable contract or regulations requirements, the Company has obligations for some of the Property, plant and equipment in their dismantling, removal or restoring the location. Thus, the costs for their dismantling, removal or restoring the location are recognized in the provisions for liabilities (decommissioning liabilities).

Changes to decommissioning costs:

	<u>Decommissioning costs</u>	
	<u>2023</u>	<u>2022</u>
Balance as of January 1	\$ 32,450	\$ 32,450
Amount actually paid in the current period	( 639)	-
Reclassified to other income in current period	<u>( 7,273)</u>	<u>-</u>
Balance as of December 31	<u>\$ 24,538</u>	<u>\$ 32,450</u>

(XVI) Capital stock

1. As of December 31, 2023, the Company's authorized capital is NT\$5,000,000 for 500,000 thousands of shares. The face value is NT\$10 and it can be issued by installments.

2. Adjustments to the number of the Company's outstanding common stock are as follows:

	<u>2023</u>	<u>2022</u>
January 1 and December 31	<u>127,403 thousand shares</u>	<u>127,403 thousand shares</u>

(XVII) Capital surplus

Pursuant to the Company Act, capital surplus arising from the income derived from the issuance of new shares at a premium and the income from endowments received by the company can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. In addition, the Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. The company shall not use the capital reserve to make good its capital loss, unless the surplus reserve is insufficient to make good such loss.

(XVIII) Retained earnings

1. Each quarter when there are earnings after settlement, the following shall be observed for the appropriation of earnings. The estimation shall first be made and preserve the amount for tax payable, set aside for covering accumulated losses, and estimate the amount for employee and director remuneration, followed by allocating 10% as legal reserve. However, when legal reserve has accumulated to reach the amount of the paid-in capital, it is excluded, and shall allocate or reverse special reserve according to the laws or regulations of competent authority. If there are earnings remaining, the remainder and the earnings from the previous quarter shall become the undistributed amount as shareholders' dividend. The Board will prepare the proposal for earnings distribution. When it is to be distributed in the form of new shares, the matter shall be resolved by the shareholders' meeting. When distributing in the form of cash, the distribution is to be determined by the Board meeting resolution. If there is earnings for the annual settlement, they have to be allocated for tax payments and make up for the losses from past years. The remainder to be appropriated as follows:

- (1) Allocate 10% as legal reserve. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply.
- (2) When necessary, allocate or reversal of special reserve according to the

laws and regulations.

If there are earnings, its balance plus the accumulated undistributed earnings from the previous quarter shall be proposed by the Board for its appropriation. When the distribution is in issuance of new shares, the proposal shall be resolved by the shareholders' meeting on the distribution. When distribution is in the form of cash, it must be resolved in a board meeting with more than two-thirds of the board present, voted in favor by more than half of attending directors, and reported in the upcoming shareholders' meeting.

In accordance with Article 241 of the Company Act, the Company shall allocate in whole or in parts the legal reserve and capital surplus according to the original shareholders proportion and when distributing new shares or cash, it shall proceed according to the preceding method resolved for distribution.

2. The Company's lifecycle is in a stable growth stage and will observe the changes to the internal and external environment in seek of sustainable operation and long term development. It will consider the company's future capital expense budget and need while sustaining the stability of dividends distribution. During each quarter and every year when the Company distributes its cash dividends, it allocates more than 50% of the accumulated distributable earnings as shareholders bonus. Of which cash dividends must not be lower than 10% of the shareholders bonus.
3. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
4. (1) The 2021 dividends of NT\$1,578,845 were distributed in cash by the Board of Directors on March 23, 2022 and resolved by the shareholders' meeting on June 14, 2022 as follows:

	<u>Amount</u>	<u>2021</u> <u>Dividend per</u> <u>share (NT\$)</u>
Legal reserve	\$ 12	
Allocated special reserve	110,471	
Cash dividends	<u>1,578,845</u>	\$ 12.3925
Total	<u>\$ 1,689,328</u>	



(2) The 2022 dividends of NT\$1,147,559 were distributed in cash by the Board of Directors' resolution on March 20, 2023. The 2022 earnings distribution proposal on June 15, 2023 was also approved as follows:

	<u>Amount</u>	<u>2022</u> <u>Dividend per</u> <u>share (NT\$)</u>
Reversal of special reserves	(\$ 152,377)	
Cash dividends	<u>1,147,559</u>	\$ 9.0073
Total	<u>\$ 995,182</u>	

(3) The 2023 dividends of NT\$1,450,116 were distributed in cash by the Board of Directors' resolution on March 11, 2024. The 2023 earnings distribution proposal was also approved as follows:

	<u>Amount</u>	<u>2023</u> <u>Dividend per share</u> <u>(NT\$)</u>
Allocated special reserve	\$ 20,926	
Cash dividends	<u>1,450,116</u>	\$ 11.3821
Total	<u>\$ 1,471,042</u>	

The aforesaid 2023 Appropriation of Earnings has not yet been resolved by the shareholders' meeting as of March 11, 2024.

(XIX) Operating revenue

	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers		
Food and beverage service revenue	\$ 2,983,013	\$ 2,584,768
Guest-service revenue	1,968,216	1,365,798
Technical service revenue	80,291	73,638
Other service revenue	<u>124,605</u>	<u>110,080</u>
Subtotal	5,156,125	4,134,284
Lease revenue	<u>618,942</u>	<u>545,783</u>
Total	<u>\$ 5,775,067</u>	<u>\$ 4,680,067</u>

1. Revenue from contracts with customers

The Company's revenue is derived from the provision of products and services which are gradually transferred as time passes and at a certain point in time.

The revenue can be sub-divided into the following major product lines and geographical regions:

<u>2023</u>	<u>Taiwan</u>				<u>Total</u>
	<u>Food and beverage service</u>	<u>Guest-service</u>	<u>Technical service</u>	<u>Other service</u>	
Revenue from contracts with customers	<u>\$ 2,983,013</u>	<u>\$ 1,968,216</u>	<u>\$ 80,291</u>	<u>\$ 124,605</u>	<u>\$ 5,156,125</u>

<u>2022</u>	<u>Taiwan</u>				<u>Total</u>
	<u>Food and beverage service</u>	<u>Guest-service</u>	<u>Technical service</u>	<u>Other service</u>	
Revenue from contracts with customers	<u>\$ 2,584,768</u>	<u>\$ 1,365,798</u>	<u>\$ 73,638</u>	<u>\$ 110,080</u>	<u>\$ 4,134,284</u>

## 2. Contract assets and contract liabilities

The Company does not have related contract assets recognized as customer contract revenue. The Company recognized the contract liabilities as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities:			
Contract liabilities - Advance receipts - Current	\$ 505,923	\$ 545,737	\$ 582,786
Contract liabilities - Advance receipts - Non-Current	<u>8,229</u>	<u>9,891</u>	<u>8,493</u>
Total	<u>\$ 514,152</u>	<u>\$ 555,628</u>	<u>\$ 591,279</u>

Contract liabilities at beginning period recognized as revenue in current period

	<u>2023</u>	<u>2022</u>
Contract liabilities balance at beginning of period recognized as revenue in current period		
Advance receipts - Current	<u>\$ 336,566</u>	<u>\$ 358,351</u>

## (XX) Interest income

	<u>2023</u>	<u>2022</u>
Other interest income	\$ 12,693	\$ 9,348
Income of interest from financial assets measured at amortized cost	7,333	343
Interest from cash in the bank	<u>4,612</u>	<u>879</u>
Total	<u>\$ 24,638</u>	<u>\$ 10,570</u>

(XXI) Other non-interest income

	<u>2023</u>	<u>2022</u>
Government grants revenue	\$ 10,798	\$ 10,159
Transfer of overdue accounts payable to other revenue	10,428	2,643
Others	<u>16,420</u>	<u>33,956</u>
Total	<u>\$ 37,646</u>	<u>\$ 46,758</u>

To assist the Tourist Hotel affected by the COVID-19 pandemic, the Tourism Bureau, MOTC and the Department of Commerce, MOEA provides the necessary working liabilities, employee salary and wages grant, and wedding catering subsidies. The Company has in 2023 and 2022 recognized related government grant revenue at NT\$0 and NT\$7,366, respectively.

(XXII) Other gains

	<u>2023</u>	<u>2022</u>
Compensation for losses	(\$ 24,000)	\$ -
Net gain on financial assets at fair value through profit or loss	3,506	7,404
Losses from disposal of property, plant and equipment	( 773)	-
Gain (loss) on lease modification	( 197)	151
Foreign currency exchange gain (loss), net	( 66)	96
Miscellaneous expenditure	<u>( 27)</u>	<u>( 130)</u>
Total	<u>(\$ 21,557)</u>	<u>\$ 7,521</u>

(XXIII) Finance cost

	<u>2023</u>	<u>2022</u>
Interest expense:		
Lease liabilities	\$ 47,954	\$ 58,211
Others	<u>1,590</u>	<u>1,318</u>
	<u>\$ 49,544</u>	<u>\$ 59,529</u>

(XXIV) Additional information other than expenses by nature

	<u>Cost</u>	<u>2023</u> <u>Expenses</u>	<u>Total</u>
Employee benefit expense	\$ 1,257,549	\$ 205,962	\$ 1,463,511
Depreciation expense of property, plant and equipment	237,369	-	237,369
Depreciation expense of right-of-use assets	291,934	-	291,934
	<u>\$ 1,786,852</u>	<u>\$ 205,962</u>	<u>\$ 1,992,814</u>

	<u>Cost</u>	<u>2022</u> <u>Expenses</u>	<u>Total</u>
Employee benefit expense	\$ 1,071,468	\$ 215,750	\$ 1,287,218
Depreciation expense of property, plant and equipment	267,845	1,208	269,053
Depreciation expense of right-of-use assets	264,444	-	264,444
	<u>\$ 1,603,757</u>	<u>\$ 216,958</u>	<u>\$ 1,820,715</u>

(XXV) Employee benefit expense

	<u>Cost</u>	<u>2023</u> <u>Expenses</u>	<u>Total</u>
Wages and salaries	\$ 1,056,512	\$ 168,463	\$ 1,224,975
Labor and health insurance fees	106,163	14,991	121,154
Pension costs	50,110	7,467	57,577
Other personnel expenses	44,764	15,041	59,805
	<u>\$ 1,257,549</u>	<u>\$ 205,962</u>	<u>\$ 1,463,511</u>

	<u>Cost</u>	<u>2022</u> <u>Expenses</u>	<u>Total</u>
Wages and salaries	\$ 900,715	\$ 179,856	\$ 1,080,571
Labor and health insurance fees	92,365	15,254	107,619
Pension costs	41,385	8,223	49,608
Other personnel expenses	37,003	12,417	49,420
	<u>\$ 1,071,468</u>	<u>\$ 215,750</u>	<u>\$ 1,287,218</u>

1. According to the Company's Articles of Association, the Company shall appropriate 5% as profit sharing remuneration for employees and no more than 0.5% as profit sharing remuneration for directors of the remainder of the profit for the year, if any, after deducting the accumulated losses from the

profit for the current year.

2. The estimated amounts for the Company's employee remuneration in 2023 and 2022 are NT\$91,606 and NT\$58,718, respectively. The estimated amounts for directors are NT\$9,161 and NT\$5,872. The aforementioned amounts are accounted under the wages and salaries title.

The estimation uses 5% and 0.5% based on the profits situation for the year 2023. The Board has resolved for the actual distribution to be NT\$91,606 and NT\$9,161, of which the employee remuneration is to be distributed in the form of cash.

The 2022 employee, and director remuneration resolved by the Board of Directors is consistent with the amounts recognized in the 2022 financial statements. The aforementioned employee, and director and supervisor remuneration is distributed in the form of cash. As of December 31, 2023, the 2022 employee remuneration is not yet distributed.

Related information on the employee and director remuneration passed by the Company's Board of Directors can be obtained from the MOPS website.

(XXVI) Income tax

1. Income tax expense

(1) Components of income tax expense:

	<u>2023</u>	<u>2022</u>
Income tax for current period:		
Income tax generated for the current period	\$ 322,551	\$ 185,591
Surtax on undistributed retained earnings	-	21,134
Overestimation of income tax for previous years	<u>( 2,994)</u>	<u>( 1,052)</u>
Total income tax for current period	<u>319,557</u>	<u>205,673</u>
Deferred tax:		
Origin and reversal of temporary differences	<u>( 3,764)</u>	<u>1,208</u>
Income tax expense	<u>\$ 315,793</u>	<u>\$ 206,881</u>

(2) Income tax amount related to other comprehensive income:

	<u>2023</u>	<u>2022</u>
Re-measurement of defined benefit obligation	<u>(\$ 39)</u>	<u>(\$ 3,550)</u>

2. Reconciliation between income tax expense and accounting profit

	<u>2023</u>		<u>2022</u>
Income tax calculated based on profit before tax and statutory tax rate	\$ 346,270	\$	221,956
Income tax effects of adjusted items under taxation laws	( 27,483)	(	35,157)
Overestimation of income tax for previous years	( 2,994)	(	1,052)
Surtax on undistributed retained earnings	-		21,134
Income tax expense	<u>\$ 315,793</u>	\$	<u>206,881</u>

3. Various deferred tax assets or liabilities amount generated from temporary differences are as follows:

	<u>January 1</u>	<u>Included</u>	<u>Recognized</u>	<u>Re-</u>	<u>December</u>
		<u>loss</u>	<u>to other</u>	<u>classificati</u>	<u>31</u>
			<u>ve income</u>	<u>on</u>	
Deferred tax assets:					
-Temporary differences:					
Deferred revenue	\$ 3,256	(\$ 283)	\$ -	\$ -	\$ 2,973
Setting up superficies	1,635	( 99)	-	-	1,536
Unrealized exchange loss	3,465	6	-	-	3,471
Other payables	1,056	4,769	-	-	5,825
IFRS16 Effects of recognition	1,467	( 125)	-	-	1,342
Others	<u>1,924</u>	<u>583</u>	<u>-</u>	<u>-</u>	<u>2,507</u>
Subtotal	<u>12,803</u>	<u>4,851</u>	<u>-</u>	<u>-</u>	<u>17,654</u>
Deferred tax liabilities:					
-Temporary differences:					
Pension liabilities	( 699)	( 1,087)	( 39)	-	( 1,825)
Subtotal	<u>( 699)</u>	<u>( 1,087)</u>	<u>( 39)</u>	<u>-</u>	<u>( 1,825)</u>
Total	<u>\$ 12,104</u>	<u>\$ 3,764</u>	<u>(\$ 39)</u>	<u>\$ -</u>	<u>\$ 15,829</u>

	<u>2022</u>				
	<u>Recognized</u>				
	<u>Included</u>	<u>to other</u>	<u>Re-</u>	<u>December</u>	
	<u>in profit</u>	<u>comprehen</u>	<u>classifica</u>	<u>31</u>	
	<u>or loss</u>	<u>sive income</u>	<u>tion</u>		
Deferred tax assets:					
-Temporary differences:					
Pension liabilities	\$ 4,753	(\$ 1,902)	(\$ 3,550)	\$ 699	\$ -
Deferred revenue	2,800	456	-	-	3,256
Setting up superfices	1,735	( 100)	-	-	1,635
Unrealized exchange loss	3,485	( 20)	-	-	3,465
Other payables	1,122	( 66)	-	-	1,056
IFRS16 Effects of recognition	1,190	277	-	-	1,467
Others	1,777	147	-	-	1,924
Subtotal	<u>16,862</u>	<u>( 1,208)</u>	<u>( 3,550)</u>	<u>699</u>	<u>12,803</u>
Deferred tax liabilities:					
-Temporary differences:					
Pension liabilities	-	-	-	( 699)	( 699)
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 699)</u>	<u>( 699)</u>
Total	<u>\$ 16,862</u>	<u>(\$ 1,208)</u>	<u>(\$ 3,550)</u>	<u>\$ -</u>	<u>\$ 12,104</u>

4. The Company has not recognized the taxable temporary differences relating to the Company's investments of certain subsidiaries in deferred tax liabilities. As of December 31, 2023 and 2022, the temporary differences amount of the deferred tax liabilities that are unrecognized are NT\$769,161 and NT\$765,146.
5. The Company's profit-seeking enterprise income tax has been approved by the tax collection authorities until 2021.
6. To assist taxpayers who are affected by the COVID-19 pandemic, the National Taxation Bureau, Ministry of Finance allows installment payments for the 2019, 2020 and 2021 profit-seeking enterprise income tax. The Company has issued checks. As of December 31, 2023 and 2022, the balances were NT\$72,592 and \$156,314, respectively. These are recorded in notes payable according to their liquidity for NT\$53,133 and NT\$83,722, respectively, and in other non-current liabilities for NT\$19,459 and NT\$72,592, respectively.

(XXVII) Earning per share

		<u>2023</u>	
	<u>After-tax amount</u>	<u>Weighted average number of shares outstanding (shares in thousands)</u>	<u>Earnings per share (NT\$)</u>
<u>Basic earnings per share</u>			
Current period net income attributable to common shares shareholders	<u>\$ 1,415,555</u>	<u>127,403</u>	<u>\$ 11.11</u>
<u>Diluted earnings per share</u>			
Current period net income attributable to common shares shareholders	\$ 1,415,555	127,403	
Assumed conversion of all dilutive potential ordinary shares			
Employees' payroll and bonus payable	<u>-</u>	<u>459</u>	
Current period net income plus potential effects of common stock attributable to common stock shareholders	<u>\$ 1,415,555</u>	<u>127,862</u>	<u>\$ 11.07</u>

		<u>2022</u>	
	<u>After-tax amount</u>	<u>Weighted average number of shares outstanding (shares in thousands)</u>	<u>Earnings per share (NT\$)</u>
<u>Basic earnings per share</u>			
Current period net income attributable to common shares shareholders	<u>\$ 902,897</u>	<u>127,403</u>	<u>\$ 7.09</u>
<u>Diluted earnings per share</u>			
Current period net income attributable to common shares shareholders	\$ 902,897	127,403	
Assumed conversion of all dilutive potential ordinary shares			
Employees' payroll and bonus payable	<u>-</u>	<u>390</u>	
Current period net income plus potential effects of common stock attributable to common stock shareholders	<u>\$ 902,897</u>	<u>127,793</u>	<u>\$ 7.07</u>



(XXVIII) Supplementary information on cash flows

1. Only some of the investing activities with cash payments:

	<u>2023</u>	<u>2022</u>
Procurement of property, plant and equipment	\$ 160,076	\$ 132,539
Add: Accounts payable - equipment, at the beginning of the period	34,542	15,947
Add: Accounts payable - equipment, at the end of the period	<u>(28,295)</u>	<u>(34,542)</u>
Payments in cash for the current period	<u>\$ 166,323</u>	<u>\$ 113,944</u>

(XXIX) Changes in liabilities from financing activities

	<u>2023</u>		
	<u>Guarantee deposits received</u>	<u>Lease liabilities</u>	<u>Liabilities from financing activities-gross</u>
January 1	\$ 169,534	\$ 2,997,375	\$ 3,166,909
Changes in cash flows from financing activities	( 2,273)	( 262,892)	( 265,165)
Increase in right-of-use assets	-	93,204	93,204
Decrease in right-of-use assets	-	( 33,900)	( 33,900)
Discounted and amortized interest expense	-	47,954	47,954
Interest paid	-	<u>( 47,954)</u>	<u>( 47,954)</u>
December 31	<u>\$ 167,261</u>	<u>\$ 2,793,787</u>	<u>\$ 2,961,048</u>

	<u>2022</u>		
	<u>Guarantee deposits received</u>	<u>Lease liabilities</u>	<u>Liabilities from financing activities-gross</u>
January 1	\$ 167,902	\$ 3,183,883	\$ 3,351,785
Changes in cash flows from financing activities	1,632	( 209,711)	( 208,079)
Increase in right-of-use assets	-	59,536	59,536
Decrease in right-of-use assets	-	( 5,235)	( 5,235)
Discounted and amortized interest expense	-	58,211	58,211
Interest paid	-	<u>( 58,211)</u>	<u>( 58,211)</u>
IFRS 16 Rent concession benefits	-	<u>( 31,098)</u>	<u>( 31,098)</u>
December 31	<u>\$ 169,534</u>	<u>\$ 2,997,375</u>	<u>\$ 3,166,909</u>

VII. Related Party Transaction

(I) Names and relationships of related parties

<u>Related parties</u>	<u>Relationship with the Company</u>
Grand Formosa Taroko	Subsidiaries
Silks	“
Silks Palace At National Palace Museum Corp.	“
Regent Apartment Building	“
Silks Global	“

(II) Significant transactions with related parties

1. Operating revenue

	<u>2023</u>	<u>2022</u>
Hotel and restaurant service revenue:		
Subsidiaries	\$ 994	\$ 1,173
Technical service revenue:		
Subsidiaries	7,912	8,292
Lease revenue:		
Subsidiaries	594	593
	<u>\$ 9,500</u>	<u>\$ 10,058</u>

- (1) For hotel and restaurant service of the aforesaid transactions of related parties, its transaction price is processed based on general sales criteria and related contracts.
- (2) For technical service, its transaction price is determined by both parties and with reference to the market price. There have been no significant differences of the aforesaid criteria and transactions of non-related parties.
- (3) For lease revenue, its rent calculation method is with reference to the market condition for the rent of nearby office buildings and determined by both parties. The lease term is between 1 year and the collection of rent is on a monthly basis as agreed in the lease contract.

2. Accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries	\$ 1,487	\$ 1,661

- (1) Receivables from related parties mainly from sales. The receivables are not pledged and interest-bearing. Receivables from related parties are not recognized in loss allowance.

(2) Receivables from related parties do not have overdue circumstances as of December 31, 2023 and 2022.

3. Other receivables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries	<u>\$ 2,994</u>	<u>\$ 980</u>

Mainly due to the fact that the Company has since 2008 signed and entered into agreement with the Silks Palace At National Palace Museum for management and consulting providing Silk Palace support in accounting, procurement, engineering works and repairs and labor force. The Company review and attached related expenses receipts to Silk Palace making application for payment.

4. Accounts payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries	<u>\$ 1,306</u>	<u>\$ 250</u>

It mainly refers to the commodities that the Company and subsidiaries purchase and for operation use.

5. Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries	<u>\$ 568</u>	<u>\$ 3,058</u>

It mainly refers to the receipts under custody by the Company for subsidiary.

(III) Key management remuneration information

	<u>2023</u>	<u>2022</u>
Wages and salaries and other short-term employee benefits	\$ 39,538	\$ 36,140
Post-employment benefits	<u>432</u>	<u>538</u>
Total	<u>\$ 39,970</u>	<u>\$ 36,678</u>

VIII. Pledged Asset

Statements of the guarantees provided by the Company's assets:

<u>Asset item</u>	<u>Carrying value</u>		<u>Guarantee purpose</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>	
Financial assets at amortized cost - current			
Demand deposit			Trust account of performance guarantee for standard contracts for gift certificates
	<u>\$ 106,565</u>	<u>\$ 157,734</u>	
Financial assets at amortized cost - non-current			
- Time deposit	43,912	42,654	Performance bond of leased building
- “	<u>11,830</u>	<u>11,880</u>	Guarantee fund for cooperation
Subtotal	<u>55,742</u>	<u>54,534</u>	
Total	<u>\$ 162,307</u>	<u>\$ 212,268</u>	

IX. Significant contingent liabilities and unrecognized contractual commitment

(I) Contingency

None of such situations.

(II) Commitment

Besides the narration of Note VI (XI), other major commitments are as follows:

1. The Company has signed an agreement providing technical service, entrustment management and franchise for an international five-star rating hotel and hotel construction as follows:

<u>Contract counterparty</u>	<u>Contract subject matter</u>	<u>Period</u>	<u>Service expense calculation and collection method</u>
(1) RONG CHIANG INTERNATIONAL LTD.	Silks Place Yilan	Starting from the date of official opening of the hotel onwards for 20 years	Calculate a certain percentage of the operation revenue on a monthly basis
(2) YUI-MOM SILKS CLUB CO., LTD.	Silks Club	"	"
(3) YBH INTERNATIONAL LTD.	Just Sleep Kaohsiung Station (front station)	"	"
(4) YBH INTERNATIONAL LTD.	Just Sleep Kaohsiung Station (Zhongzheng)	"	"
(5) YBH INTERNATIONAL LTD.	Just Sleep Hualien	Starting from the date of official opening of the hotel onwards for 20 years	Calculate a certain percentage of the operation revenue on a monthly basis
(6) SILICON BAY TECHNOLOGY CO., LTD.	Just Sleep Taipei Sanchong	"	"
(7) Heya Travel Co., Ltd.	Just Sleep Tainan	"	"
(8) MINATO CREATE CO., LTD.	JUST SLEEP OSAKA	Starting from the date of official opening of the hotel onwards for 10 years	"
(9) Hungmao International Development Co., Ltd.	Just Sleep Taipei Kenting	Preparation period	Collect service revenue based on preparation progress
(10) Eastern Home Shopping & Leisure Co., Ltd.	Silks X Linkou	"	"
(11) SET STUDIO PARK CO., LTD.	Silks Place Taoyuan	"	"
(12) Eastern Ocean Hot Spring Hotel Co., Ltd.	Wellspring by Silk	"	"
(13) Eastern Home Shopping & Leisure Co., Ltd.	Just Sleep Linkou	"	"

2. The entrustment contract signed by the Company for entrusted operation management is as follows:

<u>Contract counterparty</u>	<u>Contract subject matter</u>	<u>Period</u>	<u>Service expense and royalties calculation</u>
A	Hostel	Since January 16, 2013 to December 31, 2024, and renewed in August 2023 to December 31, 2034 for a total of 22 years	Since the first day of the test operation until the expiration or termination date of the entrustment operation period, the royalties are paid on a fixed and monthly basis. Additionally, a certain percentage of the operating revenue is used to pay the management royalties.

3. The major contracts for the leasing of shopping malls, hotel and restaurant management are as follows:

<u>Lessor</u>	<u>Lease subject matter</u>	<u>Period</u>	<u>Rent calculation and payment method</u>
(1) WANHWA ENTERPRISE COMPANY	Wanhwa Enterprise Building 5th~9th Floor	Since April 20, 2009 to April 19, 2027, a total of 18 years	Monthly payment of fixed rent, and an increase of 5% every 3 years
(2) Cathay Life Insurance Company, Ltd.	Tainan Cathay Plaza	Since March 12, 2014 to March 11, 2034, a total of 20 years	Monthly payment of fixed rent, from the 5th year an increase starting each year according to the contract
(3) Company D	No. 8 and 10, Ln. 24, Deyang Rd., Jiaoxi Township, Yilan County, Taiwan	Since November 1, 2013 to October 31, 2033, a total of 20 years	Monthly payment of fixed rent, an increase of 3% starting from the fourth year for every three years. It is calculated by a certain percentage of one of the operating categories.
(4) Company E	No. 67, Wenquan Rd., Jiaoxi Township, Yilan County	Since December 1, 2015 to November 30, 2035, a total of 20 years	"
(5) Company K	Lot no. 471, 471-1, 498-1, 472, 472-1, Small Section, Xinmin Section, Beitou District, Taipei City	Starting from the date of rent (inclusive of the day), a total of 20 years	Monthly payment of fixed rent, and an increase of 3% every 5 years
(6) Company L	Magistrate Residence Living Centre 1F, Meals and Beverages Business Area and Kitchen Area	Since August 31, 2022 to April 30, 2025, a total of 2.6 years	Calculation of rent is based on revenue, but guaranteed revenue shall be achieved.

4. Main rental lease contracts signed and entered into by the Company are as follows:

<u>Lessee</u>	<u>Lease subject matter</u>	<u>Period</u>	<u>Rent calculation and collection method</u>
USPACE TECH CO., LTD.	Underground level 4 and 5 of Regent Taipei	Since August 1, 2023 to July 31, 2028, a total of 5 years	Monthly collection of fixed rent. When the lessee raises the parking fees, the rent shall be adjusted according to the proportion of the parking fee raised.

5. The Company has established the five-star Silks Place Hotel in Tainan City at the Tainan Cathay Plaza. Thus, we have signed and entered into a lease contract with Cathay Life Insurance Company, Ltd. In accordance with the contract agreement, we have filed for application with the Taipei Fubon Bank the guarantee credit line and submitted a performance bond of NT\$43,912 for the period covering November 6, 2008 to March 11, 2034.

6. On the entrustment contract for operation signed by the Company and A, application of guarantee deposit of NT\$10,000 shall be made to Mega International Commercial Bank for contract fulfillment guarantee according to the contract. The period is from September 20, 2012 to September 19, 2024.

7. On the lease contract signed by the Company and K, application of credit guarantee amount of NT\$26,965 shall be made to Mega International Commercial Bank for contract fulfillment guarantee according to the contract. The period is from November 6, 2020 to November 5, 2024.

8. Operating lease arrangements

Please refer to Notes VI (IX), (X) and (XIII) for details.

X. Major Disaster Losses

None of such situations.

XI. Significant Events After Reporting Period

On March 11, 2024, the Company's Board proposed the 2023 appropriation of earnings plan, please refer to Note VI (XVIII) 4. for the explanations.

XII. Others

(I) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or

sell assets to reduce debt. The Company uses the debt-to-capital ratio to monitor its capital, and such ratio is calculated by dividing the total debt by the total capital.

(II) Financial instruments

1. Financial instruments by category

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss (FVTPL)		
Financial assets mandatorily measured at fair value through profit or loss	\$ 2,497,716	\$ 2,053,377
Financial assets at fair value through profit or loss (FVTOCI)		
Designation option for investments in equity instruments	500	500
Financial assets at amortized cost		
Cash and cash equivalents	57,038	29,895
Financial assets at amortized cost - current	166,757	216,083
Notes receivable	14,533	9,121
Accounts receivable	191,074	159,576
Accounts receivable due from related parties	1,487	1,661
Other receivables due from related parties	2,994	980
Financial assets at amortized cost - non-current	55,742	54,534
Refundable deposits	77,723	87,289
	<u>\$ 3,065,564</u>	<u>\$ 2,613,016</u>
	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost		
Notes payable (current and non-current)	\$ 95,707	\$ 225,856
Accounts payable	225,837	252,167
Account payables-related parties	1,306	250
Other payables	1,006,092	811,368
Other account payables-related parties	568	3,058
Guarantee deposits received	167,261	169,534
	<u>\$ 1,496,771</u>	<u>\$ 1,462,233</u>
Lease liabilities - current	<u>\$ 251,011</u>	<u>\$ 255,366</u>
Lease liabilities - non-current	<u>\$ 2,542,776</u>	<u>\$ 2,742,009</u>



## 2. Risk management policy

- (1) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk and liquidity risk. The Company's overall risk management policy emphasizes the unforeseeable matters of the financial market and seeks to lower the effects from potential disadvantages to the Company's financial position and performance.
- (2) The Company's Finance Department performs risk management work in compliance with the policy approved by the Board of Directors. The Company's Finance Department works closely with each of the operating Department within the Company to carry out its responsibilities in the identification, assessment and hedging of financial risks. The board of directors provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

## 3. Nature and extend of significant financial risks

### (1) Market risk

#### Foreign currency exchange rate risk

- A. The Company is a multinational operation. We are influenced by exchange rate risk from the transactions of relatively different currencies from the Company and subsidiaries' functional currency, which is mainly the USD. Related exchange rate risk derives from commercial transactions and recognized assets and liabilities.
- B. The Company engages in businesses that involve several non-functional currencies (NT\$ is the functional currency of the Company and some of the subsidiaries, while USD and JPY is the functional currency of some of the subsidiaries) which are impacted by exchange rate volatilities. The foreign currency assets and liabilities with significant impacts of exchange rate volatilities are as follows:

		<u>2023</u>		Book value
		<u>Foreign currency</u>	<u>Currency</u>	<u>(NT\$)</u>
		<u>(in thousand)</u>	<u>exchange rate</u>	
(Foreign currency: Functional currency)				
Financial assets				
Monetary items				
USD: NT\$	\$	1,964	30.71	\$ 60,314
Non-monetary items				
USD: NT\$		54,852	30.71	1,684,494
JPY: NT\$		1,424,482	0.2172	309,397

		<u>2022</u>		Book value
		<u>Foreign currency</u>	<u>Currency</u>	<u>(NT\$)</u>
		<u>(in thousand)</u>	<u>exchange rate</u>	
(Foreign currency: Functional currency)				
Financial assets				
Monetary items				
USD: NT\$	\$	1,900	30.71	\$ 58,349
Non-monetary items				
USD: NT\$		54,204	30.71	1,664,594
JPY: NT\$		1,273,683	0.2324	296,004

- C. On the Company's monetary items, foreign currency exchange rate volatility has cast a significant impact to the 2023 and 2022 all exchange rate gains (losses) (inclusive of those realized and unrealized) recognized. The aggregate amounts are (NT\$66) and NT\$96.
- D. Analysis of foreign currency market risks due to effects from significant exchange rate fluctuations as below:

		<u>2023</u>	
		<u>Sensitivity analysis</u>	
		<u>Range of</u>	<u>Effects on profit</u>
		<u>variation</u>	<u>and loss</u>
			<u>Effects to other</u>
			<u>comprehensive</u>
			<u>income</u>
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
USD: NT\$	1%	\$	603 \$
Non-monetary items			
USD: NT\$	1%	-	16,845
JPY: NT\$	1%	-	3,094

		<u>2022</u>	
		<u>Sensitivity analysis</u>	
		<u>Range of</u>	<u>Effects on profit</u>
		<u>variation</u>	<u>and loss</u>
			<u>Effects to other</u>
			<u>comprehensive</u>
			<u>income</u>
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
USD: NT\$	1%	\$	583 \$
Non-monetary items			
USD: NT\$	1%	-	16,646
JPY: NT\$	1%	-	2,960

#### Price risks

- A. The Company's debt and equity instruments exposed to price risk are accounted for in financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage the price risk of debt and equity instrument investment, the Company diversifies its investment portfolio. The diversification method is based on the limit set by the Company.
- B. The Company mainly invests in domestic open-ended funds and closed-end funds. The prices of these debt instruments is affected by the uncertainty of the future value of investment subject matters. If the price

of such debt instruments increases or decreases by 1%, and all other factors remain unchanged, the net profit after tax for 2023 and 2022 will be divided. The increase or decrease was NT\$24,977 and NT\$20,534, respectively.

(2) Credit risk

- A. The Company's credit risk refers to risks of financial losses due to default by the clients or transaction counterparties of financial instruments on the contract obligations. The default mainly derives from account receivable that the counterparties were unable to clear the payments according to the payment collection term and other financial assets measured at amortized cost.
- B. The Company builds credit risk management from the company perspectives. Only banks and financial institutions having a rating of "A" level by the independent ratings can become a counterparty in the dealings. According to the internal credit policy, each of the operating unit within the Company shall conduct management and credit risk analysis for each new customer before forming the terms and conditions for the payments and goods delivery. Internal risk control assesses the credit quality of the customers by taking into account its financial position, past experiences and other factors. The limits of individual risks are established by the Board of Directors based on the internal and external rating, and are applied for the regular monitoring of the credit facilities.
- C. The Company adopts the assumptions provided in IFRS 9. When the contract payment is overdue for more than 90 days according to the agreed payment terms, it is deemed that a default has occurred.
- D. The Company adopts IFRS 9 with the following assumptions as the basis for judging whether the credit risk of financial instruments has increased significantly since the initial recognition:  
When the contractual payments overdue from the payment terms for more than 30 days, the credit risks of the financial assets are deemed to have increased significantly since the initial recognition.
- E. The Company applies the simplified approach to the account receivables based on the characteristics of the customers according to the customer ratings and customer type for estimation of the expected credit losses using the loss ratio method as the basis.
- F. The Company incorporates the business observation report of the Taiwan Institute of Economic Research (TIER) for future forward-looking considerations to estimate the allowance for losses on accounts

receivable of customers based on the loss rate of historical and current information for a specific period. The Company's expected loss rate for accounts receivable that are due and undue as of December 31, 2023 and 2022 are not significant.

G. The amount of the loss allowance for accounts receivable adopted by the Company was immaterial and therefore not recognized in 2023 and 2022.

(3) Liquidity risk

A. The cash flow projection is performed by every individual operation unit within the Company and compiled by the Finance Department of the Company. The Company's Finance Department monitors the projections for the company's needs of funds to ensure that there are sufficient funding to support operating requirements. Such projections take into consideration the financial percentage targets of internal balance sheet and external regulatory requirements.

B. When the remaining cash held by all operating units exceed the amount needed for the management of the operating funds, the remaining capital shall be invested in the saving deposit with interest, time deposit, currency market, and securities. The chosen instruments have appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As of December 31, 2023 and 2022, the Company holds currency market position at NT\$2,588,628 and NT\$2,118,122 respectively. It is expected to immediately generate cash flow in managing current liquidity risk.

C. Statements for the unused loan amounts are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Within 1 year	<u>\$ 1,910,976</u>	<u>\$ 2,207,311</u>

D. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings, non-derivative financial liabilities are based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The contractual cash flow amount disclosed in the following table is the undiscounted amount.

Non-derivative financial liabilities:

December 31, 2023	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 years and above</u>
Notes payable (current and non-current)	\$ 72,045	\$ 23,662	\$ -
Accounts payable	225,837	-	-
Account payables-related parties	1,306	-	-
Other payables	1,006,092	-	-
Other payables - Related parties	568	-	-
Lease liabilities (current and non-current)	295,199	304,778	2,446,930
Guarantee deposits received	-	-	167,261

Non-derivative financial liabilities:

December 31, 2022	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 years and above</u>
Notes payable (current and non-current)	\$ 130,149	\$ 72,045	\$ 23,662
Accounts payable	252,167	-	-
Account payables-related parties	250	-	-
Other payables	811,368	-	-
Other payables - Related parties	3,058	-	-
Lease liabilities (current and non-current)	303,141	298,544	2,691,372
Guarantee deposits received	-	-	169,534

(III) Fair value information

1. The different levels of the valuation techniques used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access on the measurement date. An active market refers to a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of the beneficiary certificates from the Company's investments included.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3: Unobservable inputs for the asset or liability. Unobservable inputs for the asset or liability. The Company's investment in equity instruments without active is included in Level 3.
2. The Company's financial instruments not measured at fair value (including cash, notes receivable, accounts receivable (including related parties), other receivables from related parties, financial assets at amortized cost, The book value of guarantee deposits, notes payable, accounts payable (including related parties), other payables (including related parties), and guarantee deposits received is a reasonable approximation of the fair value.
  3. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets is as follows:
    - (1) Related information on classifications based on the nature of the Company's assets:

December 31, 2023	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurement disclosures</u>				
Financial assets at fair value through profit or loss (FVTPL)				
Beneficiary certificates	<u>\$ 2,497,716</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,497,716</u>
Financial assets at fair value through profit or loss (FVTOCI)				
Equity securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 500</u>
December 31, 2022				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurement disclosures</u>				
Financial assets at fair value through profit or loss (FVTPL)				
Beneficiary certificates	<u>\$ 2,053,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,053,377</u>
Financial assets at fair value through profit or loss (FVTOCI)				
Equity securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 500</u>

- (2) The methods and assumptions the Company used to measure fair value are as follows:

- A. The Company used market quoted prices as their fair values (i.e. Level 1), which are listed below according to the characteristics of the instruments:

	<u>Close-end funds</u>	<u>Open-end funds</u>
Quoted market price	Closing price	Net worth

- B. Except for above financial instruments with active markets, the fair value of other financial instruments is measured using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the parent company only balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).
- C. When assessing non-standard and low-complexity financial instruments, for example, debt instrument for which no active market exists, interest rate swap contracts, foreign exchange swap contracts, and option, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- D. The output of valuation model is an estimated value and the valuation technique may not be able to reflect all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model would be adjusted accordingly with additional parameters, such as model risk or liquidity risk. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, the management believes that adjustment to valuation is appropriate and necessary in order to reasonably represent the fair value of financial and non-financial instruments in the parent company only balance sheet. The parameters and pricing information used during valuation are carefully assessed and appropriate adjustments are made based on current market conditions.
- E. Since the amount for the equity securities of financial assets at fair value through profit or loss (FVTOCI) is not significant, the amount is measured at initial investment cost.

4. There was no transfer between levels 1 and 2 in 2023 and 2022.



5. There have been no circumstances of transfer in or out for Level 3 in 2023 and 2022.

### XIII. Separately Disclosed Items

#### (I) Information About Significant Transactions

1. Lending of funds to others: None of such situations.
2. Provision of endorsements and guarantees to others: None of such situations.
3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and controlling joint ventures): Please refer to Table 1.
4. Aggregate purchases or sales of the same securities reaching NT\$300 million or 20% of paid-in capital or more: Please refer to Table 2.
5. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None of such situations.
6. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None of such situations.
7. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid in capital or more: None of such situations.
8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None of such situations.
9. Engaging in derivatives trading: None of such situations.
10. Business relationships and significant transactions between the parent company and its subsidiaries and among the subsidiaries and amounts: None of such situations.

#### (II) Related information about reinvestment business

Related information on the investee companies including name and location (investee companies in Mainland China excluded): Please refer to Table 3.

#### (III) Information on Investments in Mainland China

1. Basic profile: Please refer to Table 4.
2. Significant transaction matters incurred for businesses in third area and investee companies in Mainland China through reinvestments, directly or indirectly controlled by the company: None of such situations.

#### (IV) Information of major shareholders

Information on major shareholders: Please refer to Table 5.

### XIV. Operating segments information

Not applicable.

VI. In the most recent year, up till the publication date of this annual report, if the Company or any of its affiliated enterprises experienced financial distress, the impacts to the Company's financial position would be: N/A

## Seven. Review and Analysis of Financial Position and Financial Performance, and Risks

### I. Financial Status

#### Comparison and Analysis of Financial Performance

Unit: NT\$ thousands

Item \ Year	2022	2023	Change in Percentage	Description of major changes
Current assets	3,766,253	4,658,780	23.70%	(Variation by more than 20% and amount of NT\$10 million or more) 1. The increase in current assets is mainly due to the increase in financial assets at fair value through profit and loss and other receivables.
Property, plant, and equipment	2,066,655	1,949,026	(-5.69%)	
Intangible assets	20,923	20,923	0.00%	
Other assets	4,635,122	4,002,464	(-13.65%)	
Total assets	10,488,953	10,631,193	1.36%	
Current liabilities	2,654,384	2,843,138	7.11%	
Non-current liabilities	3,128,775	2,840,127	(-9.23%)	
Total liabilities	5,783,159	5,683,265	(-1.73%)	
Capital stock	1,274,032	1,274,032	0.00%	
Capital surplus	222,383	222,383	0.00%	
Retained earnings	3,115,712	3,383,387	8.59%	
Other equity	(271,432)	(292,358)	(-7.71%)	
Equity attributable to owners of TCFHC	4,340,695	4,587,444	5.68%	
Non-controlling interests	365,099	360,484	(-1.26%)	
Total shareholders' equity	4,705,794	4,947,928	5.15%	

## II. Analysis of Financial Performance

### (I) Comparison and analysis of financial performance

NT\$ thousands

Item	Year	2022	2023	Change in Percentage (%)	Description of major changes
Operating revenue		5,597,323	6,765,042	20.86%	(The percentage of change exceeds 20% and the amount of change exceeds NT\$10 million) 1. Gross profit and profit increased year-on-year due to the increase in revenue. 2. The decrease in non-operating income and expenses in the current period is mainly due to the increase in compensation losses from Chanel (- NT\$24,000 thousand). 3. The increase in net income before tax and net income in the current period is mainly due to the increase in revenue in the current period.
Operating costs		3,732,706	4,250,900	13.88%	
Operating profit		1,864,617	2,514,142	34.83%	
Operating Expenses		643,579	671,005	4.26%	
Operation income to capital		1,221,038	1,843,137	50.95%	
Non-operating income and expenses		83,150	65,548	(-21.17%)	
Income before income tax		1,304,188	1,908,685	46.35%	
Income tax expense		288,485	382,012	32.42%	
Net income		1,015,703	1,526,673	50.31%	

(II) The expected short-term sales volume and the basis thereof, the possible impact on the Company's future financial operations, and responsive plans:

The Company sets its annual sales targets based on its annual budgets, business plans, and past actual business performance.

## III. Cash flow

### (I) Liquidity analysis for the past two years:

Item	Year	2022	2023	Increase (decrease) percentage
Cash flow ratio		80.59	64.13	(-16.46%)
Cash flow adequacy ratio		102.42%	106.20%	3.78%
Cash flow reinvestment ratio		5.28%	6.52%	1.24%

Analysis of changes in ratio: The decrease in cash flow ratio is mainly due to the decrease in net cash flow from operating activities.

(II) Cash liquidity analysis for the coming year:

Unit: NT\$ thousands

Cash at beginning of period (113.1.1)	Net cash flow from operating activities throughout the year	Annual cash outflow	Cash surplus (deficit) amount	Remedies for cash deficits	
				Investment plan	Financing plan
475,230	1,904,610	(2,058,884)	320,956	-	-

Analysis of cash flow changes in the coming year:

- (1) Operating activities: The continuous growth in performance at various operational sites of the company, along with the addition of new locations, has been instrumental in developing new customer sources while effectively controlling operating costs and expenses. This strategy aims to increase net operating profit, and thus, it is expected that operating activities will generate a net cash inflow.
- (2) Investment activities: The Company's main business scope is the operation of international tourist hotels and F&B services. First-class standards. Meanwhile, in order to develop external business bases, the Company also plans to invest in the fixed assets of various operating equipment, resulting in net cash outflow from investing activities.
- (3) Financing activities: Net cash outflow from financing activities is expected to arise from the distribution of 2023 cash dividends.

#### IV. Effects of major capital expenditures on finance and operation in the most recent fiscal year

In order to meet the market demand and improve customer satisfaction, the Company has furnished, refurbished and replaced equipment. It is committed to creating a high-quality and high-standard accommodation and dining environment, and is actively exploring new business locations to achieve the Company's goal of sustainable development. The focus of operations remains the same. The Company focused on the urban resort business and signed a lease agreement with Fubon Life Insurance to develop the Wellspring by Silks of Beitou District, Taipei City, which is currently under preparation. Due to the Company's meticulous financial planning, stable growth of operating income, and sound cooperation and transactions with banks, capital expenditure has no significant impact on financial operations.

#### V. Reinvestment policy in the most recent year, the main reasons for its profit or loss, improvement plans, and investment plans for the next year

(I) Reinvestment policies in the most recent year:

The Company's reinvestment policy focuses on hotel brands and professional management, but does not rule out BOT or strategic alliances for investment in new development projects. The basic strategy is based on the principle of minimum capital expenditure and maximum profit. The relevant enforcement departments shall follow the "Investment Cycle" and

“Procedures for Acquisition or Disposal of Assets” of the internal control system. The above procedures or procedures have also been approved by the Board of Directors or the shareholders’ meeting.

- (II) Main reasons for the profit or loss from reinvestment in the most recent year and improvement plans:

Unit: NT\$ thousands

Remark Item	Profit (loss) recognized in 2023	Main reason for profit or loss	Improvement plan
GRAND FORMOSA TAROKO HOTEL CORPORATION	98,924	Operating is in good condition.	-
Silks Palace At National Palace Museum Corp.	(3,132)	Some units were closed in 2023.	-
SILKS INTERNATIONAL INVESTMENT INC.	33,477	Operating is in good condition.	-
FIHC Property Management Corporation	30,247	Operating is in good condition.	-
SILKS GLOBAL HOLDING, LIMITED	20,742	Operating is in good condition.	-

- (III) Investment plans for the coming year:

The Company has no major long-term equity investment plan in the coming year, but each subsidiary will propose a capital increase plan to the Company depending on the operational needs, and the Company will proceed with the investment evaluation and related approval procedures.

## VI. Analysis and evaluation of risk matters in the most recent year and up to the publication date of this annual report

- (I) Impacts of changes in interest rates, exchange rates, and inflation to the Company’s profit and loss, and future countermeasures:
1. Risk of changes in interest rate and responsive measures:  
The Bank Loan borrowed by the Company for the needs of business operations are financial instruments with floating interest rates. Therefore, changes in the market interest rate will result in changes in the effective interest rate of the issued debt, resulting in fluctuations in future cash flows. From 2021 to 2023, the percentage of interest expense to operating revenue were 1.56%, 1.09%, and 0.76%, respectively, indicating that changes in interest rates would not have a significant impact on the Company’s profit or loss. In addition, the Company will continue to adjust the use of funds in a timely manner depending on market interest rates in the future, and consider using capital market fundraising tools to reduce the Company’s cost of

- obtaining funds.
2. Exchange rate fluctuation risk and countermeasures:  
The Company operates in a multinational company, so it is exposed to the exchange rate risk generated by transactions with the functional currency different from the Company and its subsidiaries, which are mainly USD and JPY. The related exchange rate risk comes from future business transactions and recognized assets and liabilities. Risk management is carried out by the Company's Finance Department in accordance with policies approved by the Board of Directors. The Company's Finance Department works closely with the Company's operating units to identify, evaluate and avoid financial risks.
  3. Inflation risk and countermeasures:  
The Company has considered the risk of inflation when planning its annual business plan, and continues to monitor changes in market prices to adjust pricing based on market demand and maintain good interaction with suppliers. The procurement policy is mainly based on Regular price comparisons are conducted by bidding for suppliers to reduce procurement costs. In addition, the Company has a number of qualified alternative suppliers to choose from to cope with the impact of inflation on the Company's profit and loss.
- (II) Policies on engaging in high-risk and high-leverage investments, loans to others, endorsements and guarantees, and derivative transactions, main reasons for profit or loss, and countermeasures in the future:  
The Company's financial strategy is based on the principles of prudence and conservation. Therefore, the Company has not engaged in high-risk, high-leverage investments or transactions of derivatives in the most recent year and up to the date of this Annual Report. The Company also have established an "Procedures for acquiring or disposing of assets" to adhere to. In addition, the Company's endorsements and guarantees and loaning of funds to others have been handled in accordance with the "Operating Procedures for Endorsements and Guarantees" and "Operating Procedures for Lending of Funds to Others", and relevant information has been announced as required.
  - (III) Future R&D plans and R&D expenses expected to be invested: The Company mainly operates international tourist hotels and provides dining, meeting venues, and shopping services. The Company's emphasis is on providing customers with comfortable and high-quality housing services and safe and delicious meals. The Company adheres to the spirit of product innovation and develops new customer sources and new menus. At the same time, it also makes good use of seasonal fresh ingredients and responds to the sustainable environment and the market trend of producing ingredients to improve its catering operation capabilities. The Company expects to invest 0.018% of revenue in R&D in 2024.
  - (IV) Impacts of important domestic and foreign policies and legal changes on the Company's financial operations and countermeasures:  
The Company's operating policies are implemented in accordance with the laws and regulations, and it is constantly aware of important policy and legal changes at home and abroad that affect its operations, and

consults relevant legal experts when appropriate. As of the publication date of the annual report, the changes in the relevant laws and regulations have no material impact on the Company.

- (V) Impacts of technological changes and industry changes on the Company's financial operations and countermeasures:  
In response to the booming development of the tourism industry and the increasingly fierce competition, the Company actively strives for diversification and innovation in the marketing business, and also develops sub-brands to expand the scale of operation, and adopts the "Taiwan Based, Global Vision" business strategy to achieve the sustainable development of the Group the goal. In the most recent year and up to the publication date of the annual report, the Company's financial business has not been materially affected by the industrial change.
- (VI) Impacts of changes in corporate image on corporate crisis management and countermeasures:  
The Company upholds the operating principles of integrity, professionalism, and stability, and places great emphasis on corporate image and risk control. The Company spares no effort to enhance Taiwan's image through park adoption, sponsorship of charity organizations, and cooperation with the Tourism Bureau in organizing domestic and foreign promotional activities to raise the Company's overall image. As of the publication date of the annual report, there has been no significant change of corporate image resulting in corporate crisis management.
- (VII) Expected benefits and risks of mergers and acquisitions, and countermeasures: As of the date the annual report was printed, the Company did not have any mergers and acquisitions plans.
- (VIII) Expected benefits and possible risks associated with plant expansion, and countermeasures: Not applicable.
- (IX) Risks associated with concentration of purchases or sales and countermeasures: The Company mainly engages in guest room rental and F&B services. The supplies of its main raw materials, consumer supplies and fresh food, are stable. Both purchases and sales targets are dispersed without excessive concentration of the affair.
- (X) Impacts and risks associated with a large-scale transfer or exchange of shareholdings by directors, supervisors, or major shareholders with more than 10% ownership interest, and countermeasures: There is no such situation.
- (XI) Impacts and risks of the change in management on the Company, and countermeasures: There is no such situation.
- (XII) For major litigations or non-contentious cases, the Company and its directors, supervisors, general managers, person-in-charge, major shareholders with more than 10% ownership interest, and affiliates shall be listed as to which major litigations have been concluded or are pending judgments for non-contentious cases, non-contentious cases,

or administrative litigations that may materially affect shareholders' equity or the price of the Company's securities, disclose the facts of the dispute, the amount of money at stake, the date litigation commenced, the main parties involved, and the status of the dispute as of the publication date of the annual report: There is no such situation.

(XIII) Other important risks and countermeasures:

Description of information security risk assessment and analysis:  
 The Company promotes various information security activities to achieve the goals of the information security policy and protect the Company's intellectual property. In addition to improving various internal information security management mechanisms and regularly promoting information security and employee information security education and training, various courses are conducted to raise employees' information security awareness and ensure that information security concepts can be incorporated into daily operations. In addition, the Company has also established an intrusion detection system to convert unknown threats into known defensive signatures to strengthen information security defenses. For the user side, in addition to the comprehensive inventory of the new version of the anti-virus program and malicious tools, we also set up the personal computer to perform mandatory anti-virus scanning on a regular basis. Employees are also trained on information security related to e-mail transmission and reception to reduce the risk of employees accidentally clicking on malicious e-mails. In recent years, information security insurance is still an emerging type of insurance, involving information security level testing institutions, claims identification institutions, and non-claim conditions. Therefore, the Company is currently evaluating whether to purchase information security insurance to strengthen information security.

The risk management units are as follows:

Responsible department	Risk management	Risk management matters
General Manager's Office	Strategic and operational risk	Responsible for formulating the Company's operational policies and evaluating operational effectiveness. Coordinate cross-departmental interaction and communication on risk management.
Development Department		Responsible for the research and development of new businesses.
Food and beverage department		Responsible for the R&D and packaging of food and beverage products.
Finance Department	Financial risk Credit risk Liquidity risk	Responsible for the dispatch and utilization of funds, claims of accounts receivable, compliance



Responsible department	Risk management	Risk management matters
		and promotion of various laws and regulations, and reliability of financial statements.
Human Resources	Labor safety risks	Responsible for the establishment, execution, and assessment of the Company's personnel policies, education and training, and occupational hazard prevention plans, implementation of labor safety and health management, and compliance with labor safety regulations to reduce accident risks.
Sales & Marketing Department	Market risk	Responsible for analyzing competitive dynamics and consumption trends, formulating marketing strategies, and promoting product portfolios to reduce operational risks.
IT Department	Information security risk	Responsible for the establishment of the Company's website, system maintenance, and control of network information security.

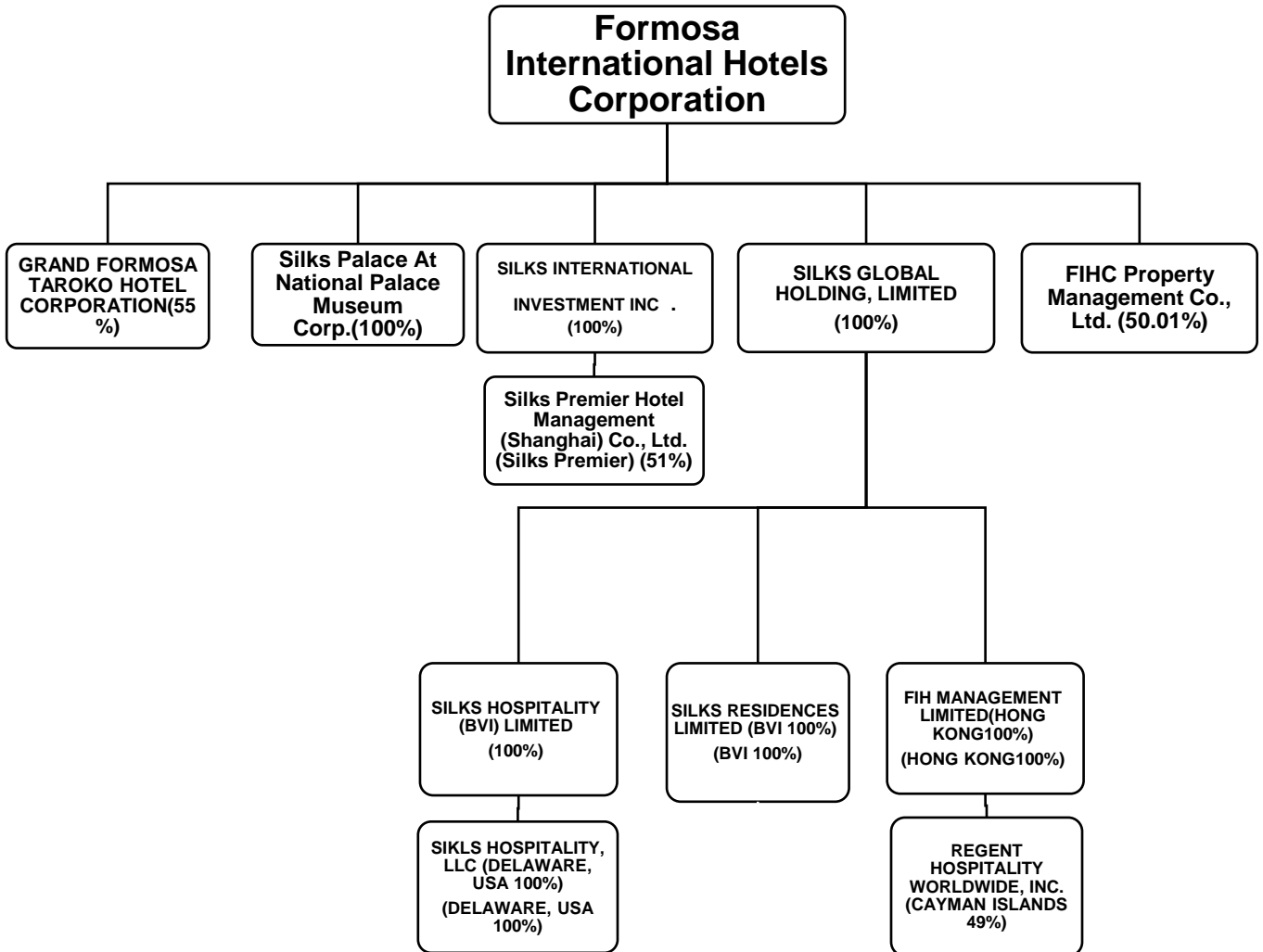
VII. Other important matters: None.

## Eight. Special Notes

### I. Information on Affiliated Enterprises

#### (I) Organizational overview of affiliated enterprises

December 31, 2023



## (II) Basic information of each affiliated enterprise

Unit: NT\$ Thousand; December 31, 2023

Name	Date of incorporation	Address	Paid-in capital	Principal business items or production items
GRAND FORMOSA TAROKO HOTEL CORPORATION	1992/4/29	No. 18, Tianxiang Rd., Fushi Village, Xiulin Township, Hualien County	\$ 452,720	Management consulting of hotels and recreational businesses such as scenic spots, tennis courts, and swimming pools.
Silks International Investment Inc.	2000/10/06	British Virgin Islands	17 (JPY 54 thousand)	Investment
Silks Palace At National Palace Museum Corp.	2005/11/21	6F, No. 21, Lane 45, Section 2, Zhongshan North Road, Zhongshan District, Taipei City	201,221	F&B business
FIHC Property Management Corporation	2009/09/08	5F, No. 21, Lane 45, Section 2, Zhongshan North Road, Zhongshan District, Taipei City	50,000	Apartment building management services
Silks Global Holding, Limited	2010/03/11	British Virgin Islands	355,948 (US\$11,838 thousand)	Investment
Silks Premier Hotel Management (Shanghai) Co., Ltd. (Silks Premier)	2008/09/01	Room 2010, No. 101, Nanmatou Road, Pudong New District, Shanghai	5,303 (US\$140 thousand)	Hotel management, property management, and building design consultation
Silks Hospitality (BVI) Limited	2010/05/18	British Virgin Islands	32 (US\$1 thousand)	Investment
Silks Hospitality, LLC	1997/04/24	United States	-	Cruise ship trademark business

Name	Date of incorporation	Address	Paid-in capital	Principal business items or production items
Silks Residences Limited	2017/8/25	United States	-	Investment
FIH Management Limited	2018/2/7	Hong Kong	316,698 (US\$10,185 thousand)	Hotel management

(III) Information on the same shareholders for presumed controlling and subordinate relationship: None.

(IV) Industries covered by the overall business operations of the affiliated enterprise

1. The business scope of the Company and its affiliated companies includes tourism hotels and general investment businesses.
2. Division of labor in major businesses: There is no division of labor except for the joint promotion of the tourism and hotel industry.

## (V) Information of directors, supervisors, and presidents of each affiliated enterprise

December 31, 2023  
Unit: NT\$ thousand; Share; %

Name	Title	Name or name of representative	Paid-in capital	Current shareholdings	
				Number of shares	Ownership held by the Company
GRAND FORMOSA TAROKO HOTEL CORPORATION	Chairman	Formosa International Hotels Corporation Representative: Ming-Yueh Lin	\$ 452,720	24,897,933	55.00%
	Director	Formosa International Hotels Corporation Representative: Steven Pan		"	"
	Director	Formosa International Hotels Corporation Representative: Wei-Cheng Wu		"	"
	Director	Formosa International Hotels Corporation Representative: Wen-Yun Wang		"	"
	Director	Formosa International Hotels Corporation Representative: Yun Chang		"	"
	Director	China Travel Service (Taiwan) Limited Representative: Kang-Hsin Jung		20,372,400	45.00%
	Director	China Travel Service (Taiwan) Limited Representative: Chih-Hong Lin		"	"
	Director	China Travel Service (Taiwan) Limited Representative: De-Chen Huang		"	"
	Director	China Travel Service (Taiwan) Limited Representative: Tsung-Min Lin		"	"
	Supervisor	Shang-Fei Wu		-	-
	Supervisor	Guo-Kue Peng		-	-
SILKS INTERNATIONAL INVESTMENT INC.	Director	Formosa International Hotels Corporation	17 (JPY 54 thousand)	185	100.00%

Name	Title	Name or name of representative	Paid-in capital	Current shareholdings	
				Number of shares	Ownership held by the Company
Silks Palace At National Palace Museum Corp.	Chairman	Formosa International Hotels Corporation Representative: Steven Pan	201,221	20,122,076	100.00%
	Director	Formosa International Hotels Corporation Representative: Hui-man, Yang		"	"
	Director	Formosa International Hotels Corporation Representative: Wei-Cheng Wu		"	"
	Supervisor	Formosa International Hotels Corporation Representative: Chien-Nan Tsao		"	"
FIHC Property Management Corporation	Chairman	Formosa International Hotels Corporation Representative: Steven Pan	50,000	1,000,200	50.01%
	Director	Formosa International Hotels Corporation Representative: Wen-Yun Wang		"	"
	Director	MILLERFUL CAPITAL PARTNERS LIMITED Representative: Ming-Cheng Weng		3,999,800	49.99%
	Supervisor	Ming-Yueh Lin		-	-
	General Manager	Chao-Hua Lin		-	-
Silks Premier Hotel Management (Shanghai) Co., Ltd. (Silks Premier)	Director	Formosa International Hotels Corporation Representative: Ming-Yueh Lin	5,303 (US\$140 thousand)	-	51.00%
Silks Global Holding, Limited	Director	DL/WYW/SP	355,948 (US\$11,838)	11,838,820	100.00%

Name	Title	Name or name of representative	Paid-in capital	Current shareholdings	
				Number of shares	Ownership held by the Company
Silks Hospitality (BVI) Limited	Director	Cavan Assets Limited	32 (US\$1 thousand)	1,000	100.00%
Silks Hospitality, LLC	Director	Cavan Assets Limited	-	-	100.00%
Silks Residences Limited	Director	Longford Directors Limited	-	1	100.00%
FIH Management Limited	Director	OMS	316,698 (US\$10,185 thousand)	188,646,449	100.00%

(VI) Operational overview

Financial status and results of operations of each affiliate:

December 31, 2023

Unit: NT\$ thousands (unless otherwise specified)

Name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit (loss)	After-tax profit (loss)	Earnings per share (NT\$) (after tax)
GRAND FORMOSA TAROKO HOTEL CORPORATION	\$ 452,720	\$ 915,745	\$ 229,309	\$ 686,436	\$ 683,669	\$ 219,655	\$ 179,875	\$ 3.97
Silks International Investment Inc.	17 (JPY 54 thousand)	309,490	92	309,398	-	( 137)	33,477	-
Silks Palace At National Palace Museum Corp.	201,221	238,245	86,871	151,374	189,872	( 5,412)	( 3,132)	( 0.16)
FIHC Property Management Corporation	50,000	229,653	107,781	121,872	116,248	75,534	60,480	12.10
Silks Global Holding, Limited	355,948 (US\$11,838 thousand)	1,684,494	-	1,684,494	-	( 347)	20,742	-
Silks Premier Hotel Management (Shanghai) Co., Ltd. (Silks Premier)	5,303 (US\$140 thousand)	6,177	5,655	522	-	( 141)	( 137)	-
Silks Hospitality (BVI) Limited	32 (US\$1 thousand)	434	-	434	-	( 1)	( 1)	-
Silks Residences Limited	-	13,476	510	12,966	6,089	5,367	4,043	-
FIH Management Limited	316,698 (US\$10,185 thousand)	1,586,747	463	1,586,284	3,807	( 11,289)	20,626	-
Silks Hospitality, LLC	-	2,283	-	2,283	-	-	31	-



- II. Private Placement Securities in the Most Recent Years and up to the date of publication of the annual report: None.
- III. The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years and up to the date of publication of the annual report: None.
- IV. Other necessary supplementary notes: None.

**Nine. Any occurrences of events defined under Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the last year up till the publication date of this annual report that significantly impacted shareholders' equity or security prices: None**

Formosa International Hotels Corporation

Chairman Steven Pan